Climate Change & Audit

"Our responsibility towards future generations"
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The human body is often an extraordinary thermometer. And one with a long lasting memory function. For myself I vividly recall experiencing the upper end of the scale when enduring a heat wave during a road trip I made with a couple of friends in the United States, in 1990. In July that year, we happened to be in Phoenix, Arizona, during a record-breaking heat wave: 122° Fahrenheit, which is close to 50° Celsius. Of course, Murphy’s Law, that day the air conditioning of our car broke down. Which explains even better why I still recall this ‘hot’ experience. Turns out that during the last ten years Phoenix had another 34 heat records.

The cover of this ECA Journal illustrates this trend of ever-rising temperatures, in ‘barcode’ colours, presenting the average temperature change in Europe during almost the last 100 years. For more details, see the back of this Journal. During the last decade, climate change - and action to stop it - has steadily climbed up the political agenda, with many policy makers expressing an opinion one way or the other. But sometimes facts do matter. Nowadays global warming is considered a fact. An overwhelming amount of scientific evidence shows a correlation between human behaviour and the global rise in temperatures. Likewise, reports by the well-known UN Intergovernmental Panel on Climate Change (IPCC) present the effects of this, in all its extremities (see page 13). All of life on Earth depends on the climate; and human life is no exception to that.

While there is growing acceptance of these scientific data, their uptake in the form of policy action against global warming has been a lot slower. Despite the fact that many studies, considered to be scientifically sound and representative, often present rather logical and convincing solutions to prevent or at least limit further global warming. A clear example is the discussion on the pricing of CO$_2$ emissions, also known as carbon pricing. As far as I understand, there is hardly any economist who disputes the need for carbon pricing. And with the ‘polluter pays’ principle that is common sense. Nevertheless, only the EU has set up a carbon pricing system and even that one is still a work in progress (see page 178). How come issues you can even explain to a primary school child find such little uptake by politicians?

At the same time many government leaders commit themselves to climate goals, with targets, ceilings and sometimes even milestones to be reached in the future, most often the ‘distant’ future. The 2015 Paris Agreement is probably the most prominent example, and the more you dive into the details, the more specific these ambitions, if not commitments, become. Most often, these agreements focus on the targets while leaving open the pathways to reach them.

These agreements, however, offer a stepping-stone to accountability and transparency, to remind policy makers about the promises they have made, and where they have got in keeping them, or not. This is where public auditors come into play. Supreme audit institutions (SAIs), at EU and national level, provide evidence-based insights into the achievement of climate change policies, most often using scientific data presented by the IPCC and from other research sources. Besides pointing out what happens in practice, these public auditors often also identify risks for current programmes, and future perspectives for reaching the goals identified. The latter aspect, which may also include possible scenarios for future implementation, is particularly pertinent for climate change action, with many long-term goals and several variables for achievement (see page 32). Failure to prepare is preparing for failure, and the human variable, causing climate change, also presents an opportunity to reverse or at least limit it.

Climate change action has not only become ‘hot’ as an audit topic, but also an existential one. Climate goes beyond barriers, beyond borders, beyond species. Everything is connected to it. Not performing on climate change will affect all other policy areas, either today or tomorrow. Climate change action has become a task too big to fail. While familiarising themselves with the topic, many public auditors realise this, as is reflected in the SAIs’ audit output and their interaction on the topic through the regional and global cooperation platforms SAIs have created, such as EUROSAI and INTOSAI (see pages 92 and 101). In addition, taking climate change action now instead of tomorrow is, in the long run, more efficient and effective than postponing measures. Hardly anybody
Editorial

...disputes that the costs of climate mitigation, even only in financial terms, are much lower than climate adaptation. In this Journal you can read about the many reports produced, by the ECA and by many other public auditors, but also by many other key players and contributors on climate issues. Some of the contributions were written before, some during the Covid-19 pandemic. Finding dissenting opinions on whether this issue has to be tackled urgently is a needle in the haystack story. Finding different opinions about “how” is far easier.

The bad news is: we are far behind in reaching the goals set in the Paris Agreement. Hardly any country is on track. And apparently, even if we were to maintain the emission levels the EU has reached during the Covid-19 confinement, we would still not achieve the ambitions set for 2030. Quite a grim picture, which explains the sense of urgency that the young generation has. After all, it is particularly their future (see page 122). Why is it that politicians do not act more on these goals, building on the scientific material abundantly available? Here trust that others will make the same effort, short horizons, imminent elections, and public interests versus private interests come into play. Technically a lot is possible, politically a lot less. And changing one’s habits, including an addiction to a fossil-fuelled society, is not easy and requires a change of mind-set, a change of heart towards the yet unimaginable. This requires a leap of faith, too.

The good news is: change can happen, even fast if we want. The Covid-19 pandemic, a clear and present danger, shows many aspects that can help us forward in addressing the looming climate crisis, a slow and distant danger. Public interests (common health) prevailed over private interests (such as freedom of movement) and people accepted that. Politicians took this leap of faith in science, taking measures that showed the added value and courage of government that acts early and decisively. This takes courage, not only on the part of the politicians but also citizens, with a sustainable society, where well-being has more to it than economic growth, as their common objective. Here, too, Covid-19 has led to self-reflection on what really matters, ranging from a reappraisal of nature, social networking and equality issues. Such signals were already there before Covid-19 (see page 8), with numerous climate protests in 2019, a growing awareness of increasing risks of natural disasters (and related preparedness) and more climate litigation against the lack of climate action (see page 167), and also more SAIs reports on the achievement of climate action and the risks of not taking it. Or a magazine like The Economist pleading for climate transition and the World Economic Forum talking about ‘The Big Reset.’

Policy makers have reacted to these signals - at EU level with the Green Deal, a climate law, a Next Generation EU programme - with the aim of weaving Covid-19 recovery measures into a transition to a carbon neutral society (see pages 190). Also at Member State level, several government leaders seem to be unfolding their climate plans, with pathways to reach the goals set. More and more are realising that climate is truly a too-big-to-fail issue, and that even the Covid-19 crisis is small beer compared to the climate challenges. Besides giving a new self-confidence to government regarding its ability to influence society (see page 18), the Covid-19 measures – estimated by the IMF to amount to almost USD9 trillion – have got us used to huge sums being spent on support measures. So increasing climate funds to actually lay a pathway to the objectives should be much less of a problem…?

But with time, will it be enough? Will new technologies (see page 140), new habits (see page 22) and renewed cooperation be enough to catch up with the delays we have already incurred to reaching the Paris Agreement objectives? No doubt SAIs in the EU will continue on the path they have already taken by increased reporting on climate change progress and the transition towards a carbon neutral society in the long run. For the short term, we should not be surprised if we experience higher temperatures, even in Europe, as we saw last summer. With more and more signals on red, I am just hoping we can all put our shoulder to this wheel and turn it around before we hit 122°F.
In 2019, the debate on climate change shifted markedly...

2019 saw the development of a new dimension in the public discourse on climate change worldwide. With youth groups at the forefront of the climate movement in many European countries, climate change has become a prominent topic once again. Support for climate action has been growing in the private sector as well, with positive signals from some of the most emissions-intensive industries. For example, hydrogen-based technologies could soon bring change to the energy-intensive steel industry, and the first fossil-free steel-making technologies could be expected as early as 2025 (as announced by Swedish steel giant SSAB).

Moreover, climate change is becoming more tangible, with Europe experiencing yet another ‘warmest winter on record’ in 2019-2020 and recent data marking perhaps yet another unusually dry summer. But we also have more scientific evidence than ever about the phenomenon: for example, what is remarkable is the knowledge about ‘tipping points’, conditions which, if crossed, lead to far-reaching, and/or irreversible consequences for the stability of life on Earth.1

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1 See for example a publication by Lenton et al. (2019) in Nature: https://www.nature.com/articles/d41586-019-03595-0
European climate policy in 2020: at the crossroads between leadership aspirations and struggles to put promises into practice

The good news is that our knowledge of how to deal with climate change and our experience with tools and practices for reducing emissions are also increasing. The bad news is that we also know that we are not doing enough. The sum of actions pledged by countries under the Paris Agreement, their Nationally Determined Contributions (NDCs), will not achieve the treaty’s target of keeping global warming well below 2°C, ideally limiting it to 1.5°C. Even if fully implemented, NDCs only amount to one third of the necessary greenhouse gas reductions, as experts from the United Nations Environment Programme (UNEP) have been warning for some time.²

...yet little was achieved in terms of concrete action

Heralded as a year for action, 2019 turned out to be a year of high-profile events and words: while the spirit of change evoked by youth climate movements around the world was reflected in the language of many politicians, it did not translate into meaningful action. Large conferences, such as the UN Climate Action Summit in New York and the United Nations Framework Convention on Climate Change (UNFCCC) Conference in Madrid (COP25), had raised high expectations but concluded with little progress. Given the requirement of the Paris Agreement that countries review and update their NDCs by 2020, it had been hoped that countries would use these events to reveal their plans for more ambitious policy objectives; the fact that this did not happen made the lack of progress all the more disappointing.

The Climate Action Summit in New York was promoted at a very high political level; heads of governments contributed emotional speeches at the event. Although 69 countries promised to strengthen their NDCs, and a total of 77 countries have now pledged to achieve carbon neutrality by 2050, concrete measures, such as more ambitious reduction targets and timelines, were thin on the ground. And, as is so often the case, major emitters such as the USA, China and India all failed to make any significant commitments.

This lack of courageous action was again evident at COP 25 in Madrid in December 2019, which ironically had been launched under the slogan ‘Time for action.’ There was much frustration that the summit’s declaration did not even include a clear call for countries to raise their ambitions on climate mitigation efforts. Such a call, although having no legal force, would have sent a signal of commitment to the common goal of combating climate change.

States also failed to agree on the completion of the rulebook for an essential part of the Paris Agreement: Article 6 that regulates the use of market-based mechanisms for emissions reductions. This is important because Article 6 allows for the international transfer of emissions reductions from one country to another. If such transactions are not managed with strict rules, there is a risk of double counting of reduction efforts. In principle, countries’ emissions reductions could be accounted for in domestic targets and then sold to other countries which could also include them in their goals. Ultimately, this would lead to an overall increase in global greenhouse gases.

Need for urgent action in 2020 - especially for the EU...

Where does the EU stand? The EU Commission has promised to provide an updated NDC under the Paris Agreement and called for a Green Deal that sets a broad frame for climate policy. But key ingredients, such as targets and measures common to both plans, still need to be framed in legally binding provisions. Also, concrete and feasible measures have to be attached to these plans in order to make sure they remain credible and give the EU a leadership role in the international community. Even though, more

recently, the ‘Covid-19 crisis’ has overshadowed climate change as a political priority and will have an impact on many near-term policy decisions, this should not stop the EU from implementing an ambitious Green Deal and submitting an improved NDC.

The EU is not on track: its current NDC will fail to achieve the 1.5°C target under the Paris Agreement, according to analyses by experts from the Climate Action Tracker initiative. A core piece of the NDC and Green Deal is, for example, the EU’s emissions reduction goal. Currently, the EU has the target of reducing its greenhouse gases by 40% by 2030 compared to 1990 levels. Experts from Climate Action Tracker calculated that, by implementing the EU’s renewable and energy efficiency goals, the EU would already achieve 48% emissions reductions. The EU Commission’s plans to raise the targets to 50 - 55% are therefore not overly ambitious but imply only a small bit more than what we are achieving anyhow. In fact, many stakeholders have called for a 65% reduction target, since even the 55% would not bring us on track on an emissions pathway compatible with the Paris Agreement. Yet, what seems a rather small step in terms of effort is a big jump politically. Adopting a more ambitious target sends a signal to the world of climate policy commitment and a vision of a more sustainable future.

As part of the Green Deal, the EU Commission has announced its goal of emissions neutrality by 2050. It intends to make this commitment legally binding through the proposed climate law of March 2020. This is a step in the right direction, however it remains unclear what emissions neutrality consists of. From a scientific perspective, ‘neutrality’ comes with many options and uncertainties concerning, for example, which emissions and pollutants it includes or how ‘negative emissions’ – meaning measures that absorb or capture GHGs, such as carbon sinks and compensation measures – will be accounted for. Negative emissions can include politically highly controversial issues such as climate engineering and the extraction of CO\(_2\). Thus, the pathway towards achieving our climate objectives matters. Mid- and long-term targets must be supplemented with intermediate steps, such as an interim target for 2040. This is important not only because by 2050 none of today’s policy makers will be in office to be held accountable for their promises, but also because the more we postpone actions now, the more expensive and the more difficult it will be to achieve emissions reductions on a large scale later.

The broadly framed objectives in the EU’s NDC and Green Deal need to be further concretised with measures. Tackling the transport, agriculture, and living sector is good, but many of the actions proposed merely scratch the surface of the problem. We should broaden our efforts; for example by also tackling non-CO\(_2\) emissions, such as methane, which has an 84 times stronger warming effect than CO\(_2\); or black carbon, which has an outsized warming effect on the Arctic and also directly threatens air quality and health, making it especially relevant for society. More force can be put behind the energy transition, undertaking a structural change and delineating clear pathways for the withdrawal from coal-based energy production. As colleagues from the Climate Analytics think tank noted, phasing out coal by 2040 is not only a necessary measure, it is probably the most important step we can take if we want to make the 1.5-degree target a reality.

**…also by speeding up its decision making**

To achieve all this, action within the EU is required, as all countries need to be on board. Large and wealthy countries such as Germany should aspire to more ambition at EU level as well. Germany’s climate package shows good will. But there is still a long way to go in terms of ambition and the effectiveness of these measures and the equitable distribution of costs relating to climate change mitigation.
The EU also needs to speed up its decision making process. Propositions from the Green Deal and climate law have to be fed into the required (and promised) update of the EU’s NDC under the Paris Agreement. Yet, the recently proposed climate law and new binding emissions reduction targets are still far from being agreed. Targets should be decided by autumn 2020, when countries plan to take on negotiations under the UNFCCC, catapulting the EU into a much-wanted international leadership position.

Yet the scheduled process is too slow: even before the outbreak of the ‘Corona crisis’, discussions were not planned until September. Due to the Corona pandemic, COP26 in Glasgow, originally scheduled for November 2020, has been postponed and at the date of writing no new date has been scheduled. However, the next ‘intersessional’ meetings under the UNFCCC are planned for October 2020 and the updated NDCs have to be submitted in 2020.

First and foremost, the EU must not allow its pace to be dictated by climate laggards such as the USA, Brazil or China; instead it should take on a leadership role. The habit of waiting for the mobilization of other actors (or the US general elections in November 2020) delays urgent action and loses precious time. Instead, the EU could use the current void of international leadership and step in with courageous action. Compared to many regions of the world we have many supportive elements in place: knowledge capacity and technological expertise, support from large parts of the public and increasingly also the private sector, and last but not least, the necessary economic strength.

Moving from negotiation to implementation

The COP has come a long way since the constitution of the UNFCCC in 1992 and the first COP in Berlin (1995). Most notable is the turn from the centralized, top-down process that marked the Kyoto Protocol, where industrialized countries committed to targets to keep a global emissions budget, to the Paris Agreement, in which all UN countries contribute with individual approaches that together should keep the temperature below 2°C. COP26 in Glasgow is a critical moment that will largely determine the effectiveness of what is probably the most important climate agreement of our time. It should largely conclude the negotiation process itself, so that the following COPs can move towards implementation.

The Covid-19 crisis adds a new challenge to climate policy in 2020. European countries are facing a major economic shock and several voices have started to demand that important climate political decisions should be postponed. Nonetheless, the Covid-19 pandemic does not change the urgency of climate change and our responsibility to act on it. We can only hope that instead of going back to business as usual, this new challenge incentivises us to readjust our current pathway; towards stronger cooperation and sustainability.

Climate protection: complexity management on a mammoth scale

The disappointing conclusion of the climate conferences and the debate over climate policy targets in the EU highlight the enormity of the challenge that climate change presents to societies. On the one hand, we know that tackling climate change will require stricter regulations, more ambitious goals and clear road maps for the implementation of climate action. At the same time, however, protecting the climate has become an exponentially complex undertaking.

Climate policy touches on a multitude of issues, and needs to take into account complex interrelations with other policy areas. Otherwise, some measures that in principle are beneficial for the climate could even have negative impacts. For example, some technologies that are promoted as climate-friendly – combustion of biomass and other biofuels for home heating or transport, for instance – may emit more particulate matter, including black carbon, than the technologies they replace, and thus continue to threaten air quality and human health and potentially warm the climate. Action
on climate change needs to be integrated with many more policy processes, such as biodiversity protection and sustainable development.

Climate governance itself has also become more complex, with many more actors involved in the process than at the founding of the UNFCCC. In addition to governmental actors from the subnational to the international level, diverse inter- and non-governmental initiatives, transnational alliances, and the public – with a broad spectrum of people and groups, ranging from populists to climate sceptics to youth activists, – play a role in climate politics. While more and diverse actors can principally increase the knowledge and problem solving capacity for climate politics, they also multiply the interests involved.

Here, science can have a (new) role. Mastering this balancing act requires some fresh thinking and a willingness to adopt holistic approaches focused on participation and sharing – be it by involving stakeholders from civil society in dialogues at UN climate negotiations or in the development of measures in the context of national climate policymaking, or by coupling structural change with measures that offer communities a sustainable future. Transnational and transformative research may help to design and to accompany such processes. It could also examine how to scale up best practices from the very local level to the regional, national and international contexts and explore how all relevant aspects and actors can be included while still keeping up the rapid pace of action needed.

We know that this is a massive challenge for politics, science and society. It is also an opportunity to deliver outcomes that are innovative, good, and equitable. Let us learn from the current Covid-19 crisis how important it is to act on the basis of the precautionary principle. Let us be more courageous and demonstrate how stepping up, collaboration, and solidarity can be effective and transformative for the climate crisis as well.
The United Nations providing scientific facts to assess climate change and its impacts through the IPCC - worth a Nobel Prize

By Abdalah Mokssit, Secretary of the Intergovernmental Panel on Climate Change

Facts matter when it comes to assessing the impact of climate change and identifying its root causes. The UN understood at an early stage how important scientific evidence would be in this context. In view of the potential global dimension and impact, in 1988 the UN created the IPCC to provide regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation. The aim is to provide governments with scientific information as a basis for their climate policies and a foundation for international negotiations. The authority the IPCC has built up in this area and the appreciation it receives are well reflected in the Nobel Peace Prize it received for its work on climate change, together with former US Vice President Al Gore, in 2007. Abdalah Mokssit, a scientist with many years’ experience in meteorology, has been the Secretary of the IPCC since 2016, and in that capacity coordinates and assists the work of the IPCC, organising numbers of IPCC meetings, and managing the IPCC Trust Fund. Below he provides an overview of the structure and work of the IPCC and how it covers the multiple and interrelated facets of climate change and its impact.

Climate change is happening now and so are its effects

All of life on Earth depends on the climate. Scientific observations and modelling leave no doubt that emissions of greenhouse gases from human activities such as energy production, transport and farming have contributed to global warming. Over the past decades, global temperatures have been steadily increasing, and within the last five years temperatures have been the highest on record. The effects of climate change can already be seen across the globe, on every continent, from the mountains to the ocean, in rich and poor countries. There is an unprecedented increase in the frequency of extreme weather events such as flooding, heatwaves, cyclones and wildfires.
Our relationship with the land is also under threat. Food insecurity is increasing, with subsequent human displacement, poverty and hunger. Sea level rise due to melting ice in the polar regions and thermal expansion of the oceans affects hundreds of millions of people living on small islands and in coastal communities. Biodiversity loss due to climate change and other human activities can lead to species extinction and increase transmittable diseases, in turn affecting our health.

‘We are confronted now with a global climate crisis and the point of no return is no longer over the horizon,’ says António Guterres, Secretary-General of the United Nations. ‘It is in sight and hurtling towards us.’

Faced with these challenges, the global community created the Intergovernmental Panel on Climate Change (IPCC) 32 years ago to mobilize scientific experts to make regular scientific assessments of the state of knowledge of climate change and options for addressing it. The scientists contributing to these assessments volunteer their time and expertise, and the IPCC’s member governments support its work through voluntary financial and in-kind contributions.

The European Union is a key contributor to the IPCC and the IPCC gratefully acknowledges its support. Since 2015, the EU’s Horizon 2020 programme has contributed €1.8 million to the IPCC, and in 2019 the Thematic Programme for Global Public Goods and Challenges provided a further €1.75 million. Over 980 authors from European Union countries have contributed to the IPCC reports since the Fourth Assessment Report in 2007.

**History of the IPCC**

The IPCC was established by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) in 1988 to provide policymakers with regular scientific assessments concerning climate change, its implications and potential future risks, and to put forward adaptation and mitigation strategies. In the same year the UN General Assembly endorsed the action by the WMO and UNEP in jointly establishing the IPCC. It has 195 member states.

IPCC assessments provide governments at all levels with scientific information that they can use to develop climate policies. The IPCC assessments have played a major role in motivating governments to adopt and implement policies responding to climate change, including the establishment of the UN Framework Convention on Climate Change and the conclusion of the 2015 Paris Agreement.

**Structure and work of the IPCC**

The IPCC prepares comprehensive assessment reports that determine the state of scientific, technical and socio-economic knowledge on climate change, its impacts and future risks, and options for reducing the rate at which climate change is taking place. It identifies where there is agreement in the scientific community on topics related to climate change, and where further research is needed. The IPCC does not conduct its own original research. To produce its reports, the IPCC mobilizes hundreds of scientists drawn from diverse backgrounds.

The Intergovernmental Panel on Climate Change is a panel of 195 member governments. Representatives of the IPCC member governments meet in plenary sessions at least once a year. The Panel works by consensus to decide on the scope and outline of the IPCC reports, all other matters related to the working of the IPCC, its Working Groups and Task Forces. The Panel elects the IPCC Chair, other members of the IPCC Bureau and the Task Force Bureau.

The Bureau is made up of the IPCC Chair, IPCC Vice-Chairs, the Co-Chairs and Vice-Chairs of the three Working Groups and the Co-Chairs of the Task Force on National Greenhouse Gas Inventories. It currently has 34 members. None of them is paid by the IPCC. Governments and observer organisations nominate, and Bureau members select, experts to prepare IPCC reports. They are supported by the IPCC Secretariat and the Technical Support Units of the Working Groups and Task Force. Only a dozen permanent staff work in the IPCC’s Secretariat.
The assessment process is divided among three working groups (see also **Figure 1**):

- Working Group I (The Physical Science Basis of Climate Change)
- Working Group II (Impacts, Adaptation and Vulnerability)
- Working Group III (Mitigation of Climate Change)

**Figure 1- Overview of the Working Groups and Task Force**

Thus Working Group I provides an understanding of how the climate is changing and what is causing it, Working Group II looks at the impacts of climate change and how human and natural systems can adjust to those changes that are already underway, and Working Group III looks at how humanity can reduce and stop the emissions causing climate change so that we do not face a situation where we can no longer adapt. The IPCC also has a Task Force on National Greenhouse Gas Inventories that develops methodologies for estimating anthropogenic emissions and removals of greenhouse gases through sinks.

IPCC Assessment Reports consist of contributions from each of the three working groups and a Synthesis Report. Special Reports undertake a shorter assessment of specific cross-disciplinary issues agreed by member governments that usually span more than one working group. Guidelines for preparation of greenhouse gas inventories are prepared in Methodology Reports by the Task Force on National Greenhouse Gas Inventories.

IPCC reports are neutral, policy-relevant but not policy-prescriptive. The assessment reports are a key input into the international negotiations to tackle climate change.

**Assessment cycles**

**The Fifth Assessment cycle**

The IPCC’s Fifth Assessment cycle consisted of the main Fifth Assessment Report (AR5) finalized between 2013 and 2014 and two special reports on extreme weather events and on renewable energy.
The Sixth Assessment cycle

The IPCC is currently halfway through its Sixth Assessment cycle, the IPCC’s most ambitious cycle so far. Like all IPCC Assessment Reports, the Sixth Assessment Report (AR6) will consist of contributions from each of the three working groups and a synthesis report; in addition, the IPCC has already produced three special reports and a methodology report in this cycle:

Special report: *Global Warming of 1.5°C* (SR15);

Special report: *Climate Change and Land* (SRCCL);

Special report: *The Ocean and Cryosphere in a Changing Climate* (SROCC); and

Methodology report: *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories*

The special report *Global Warming of 1.5°C*, released in 2018, looked at the impacts of warming of 1.5°C compared with 2°C or more, and considered the different emissions pathways that would make it possible to limit warming to 1.5°C. This report, as with all the reports in this cycle, was framed by the sustainable development agenda.

Among its key findings are:

- climate change is already affecting people, ecosystems and livelihoods all around the world;
- limiting warming to 1.5°C is not physically impossible but would require unprecedented transitions in all aspects of society;
- there are clear benefits to keeping warming to 1.5°C compared to 2°C, or higher; and
- limiting warming to 1.5°C can go hand in hand with achieving other world goals, such as achieving sustainable development and eradicating poverty.

These can be expressed more simply as:

- every bit of warming matters;
- every year matters; and
- every choice matters.

The two special reports SRCCL and SROCC, released in 2019, looked at the different components of the climate system from land to ocean and the cryosphere (the frozen parts of the planet) and how they have been impacted by climate change. *Climate Change and Land* showed the increasing strain on the land caused by its overuse through human activities. The erosion of soils and the degradation of land has reduced the soil’s ability to take up carbon. Land degradation also affects productivity, crops, and releases carbon into the atmosphere. Despite increasing food production, hunger is still on the rise. Deforestation and the destruction of peatlands for agricultural use has meant that agriculture is now one of the major contributors to greenhouse gas emissions. While land management can help tackle climate change, it cannot do it all.

*The Ocean and Cryosphere in a Changing Climate* report reflected scientists’ findings that global warming has led to widespread shrinking of the cryosphere, with mass loss from ice sheets and glaciers. The global average sea level is rising due to the acceleration of ice melt in the Greenland and Antarctic ice sheets. The oceans are absorbing the excess heat in the climate system, and this is causing an increase in extreme weather events such as tropical cyclones and rainfall, heatwaves, and marine heatwaves.

The Sixth Assessment Report includes contributions from the three IPCC Working Groups. These were originally due to be released in 2021, but the timetable may slip because of the impact of the Covid-19 pandemic on the IPCC work programme:
Working Group I – The Physical Science Basis;  
Working Group II – Impacts, Adaptation and Vulnerability; and  
Working Group III – Mitigation of Climate Change.

The work of Working Group III is of particular interest to the audit community as it assesses international and domestic policy-making, including economic and financial implications and the role of different economic sectors. Working Group II, in assessing adaptation, considers some of the projects and measures undertaken by national and local governments to cope with climate change that is already happening and to make communities more resilient. In the Sixth Assessment Report Working Group III will also for the first time include an assessment of human behaviour, and the decision-making process for corporations, citizens and governments, to understand the ‘demand side’ of climate change.

The Synthesis Report will integrate these three Working Group contributions and the three Special Reports. The outline of the Synthesis Report was agreed upon at the 52nd Session of the IPCC in February 2020. The Synthesis Report is due to be finalized in the first half of 2022 in time for the 2023 global stocktake by the United Nations Framework Convention on Climate Change (UNFCCC), when countries will review progress towards the Paris Agreement goal of keeping global warming to well below 2°C while pursuing efforts to limit it to 1.5°C. Again, these dates may shift because of Covid-19.

IPCC assessments – for awareness and evidence-based policy-making

The IPCC provides comprehensive scientific assessments to facilitate our understanding of climate change, to help step up action to respond to climate change, achieve climate-resilient development and foster an integrated approach to the provision of climate services at all scales of governance.

Since the IPCC began in 1988, it has brought the issue of climate change to the world’s attention and the forefront of global policy. The Fourth Assessment Report in 2007 raised public awareness about climate change and was recognised by the award of the Nobel Peace Prize. The Fifth Assessment Report in 2013/2014 provided the scientific foundation for the 2015 Paris Agreement and the Special Report on Global Warming of 1.5°C in 2018 transformed and galvanized public attitudes to climate change.

Through its assessments, the IPCC provides a knowledge base for governments and other stakeholders and institutions to develop evidence-based policy. I very much hope our reports can serve as a resource for the ECA and auditors in general in their important work of monitoring government policymaking.
We are in the middle of the first pandemic of this century, but it is never too early to draw fresh lessons on governance, and to see how they can be used to further the societal transitions linked to the UN Agenda 2030 and the climate crisis in particular. This is what Louis Meuleman does below. He is Vice-chair of the UN Committee of Experts on Public Administration (CEPA), author of the book Metagovernance for Sustainability and Visiting Professor of Public Governance at Leuven University. He identifies three first lessons: firstly, the critical value of having an effective public sector; secondly, the importance of culturally sensitive governance; thirdly, the feasibility of transformative change.

We are rediscovering the public sector

The first observation is no big surprise. Countries with a functioning public sector that caters for essential health services for all are better equipped to deal with the pandemic than others who have privatized health care. Market-based health care uses the same strategy as retail companies, namely just-in-time delivery, limited stock and high reliance on logistics. This explains why many hospitals in otherwise well-resourced health systems have no emergency stock of protective clothing and facial masks.

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1 This article is a revised and longer version of a short guest article published at iisd.org on 7 April 2020.
Furthermore, long-term thinking is typically lacking in privatized versions of what used to be public tasks. Financial austerity since the global financial crisis of 2008 has aggravated the situation. Foresight teams and independent advisory councils preparing governments for ‘thinking the unthinkable’ have been abolished in several countries. In the USA, for example, government has slashed funding for the federal Centers for Disease Control and Prevention and its infectious disease research, as Linda Bilmes from Harvard University recently reported. Meanwhile, globalization has increased the probability of, and the vulnerability to, global disasters, and has decreased the resilience of many national economies.

At the same time, for decades we have generally undervalued the role of the public sector, which UN CEPA has described as a political failure and Mariana Mazzucato has underpinned from an economic angle. The ‘small government’ mantra has resulted in less effective public administration and service, and a disregard of the public value that it may create. Mazzucato calls for a rethink of the role of public policy and the public sector and a redefinition how we measure value in our societies. CEPA has developed a set of eleven principles of effective governance for sustainable development, endorsed by the UN Economic and Social Council (ECOSOC) and already used as guidance by many countries.

So, the first lesson is about the need to reassert the central role of an effective, responsive and capable public sector in responding to society’s needs, building resilience and dealing with crises when they arise. A hands-on instead of hands-off government is what climate action needs to maintain traction and course. But in many developing countries the real discussion is about what to do when government has no hands at all. Capacity building for climate action requires at least some kind of foundation on which it can be built. The need to (re)assert an effective public sector because of the pandemic will increase the vulnerability of people living in the least governed countries.

Effective governance is contextualized

The second early lesson from the COVID19 pandemic is about how contextualized effective public governance is. This is also not a big surprise. Markets are also context sensitive, but for a different purpose (e.g. specific revenue streams and market segments). Governments need to be sensitive to national values and traditions. As Monika Sie observed in the Dutch newspaper NRC of 20 March 2020, people in China reacted differently to the virus than in the Netherlands. In the collectivist culture of China, people wear face masks to protect others, while in the individualist Dutch culture, people wear the same masks to protect themselves – if they wear them at all. Similarly, people in China accept strict rules more easily than in countries such as the Netherlands or the UK. Governments are making use of this cultural dimension, extensively researched by Geert Hofstede, by focusing, respectively, on collective responsibility in Asian countries and on individual responsibility in the Netherlands. The Dutch call their less restricted corona-lockdown, ‘intelligent social distancing’ because in their culture it is considered smart to be individualist. Maybe to compensate for this, the national Covid-19 slogan is ‘Only together can we win the fight’.

Differentiation will remain, but in order to be more resilient, the new normal will in any case include formal and central government institutions. But there are almost no best practices that can be applied everywhere. The exception is maybe that the institutional coordination of climate and sustainability governance should be with the Prime Minister’s office. However, even that may not be necessary if, as in Finland, the PM is not the super boss but the number one among her peers. Even a national sustainable development plan or climate and energy plan can have different shapes in different countries – even within commonly agreed rules such as in the EU on climate and energy plans. It can be a classic strategic plan of 200 pages, but strategy can also be seen as a permanent learning process. The focus is then on strategizing, not on planning. Or it could be both combined: planning as design and instruction, and as a continuous learning process.
The lesson for the implementation of the Sustainable Development Goals (SDGs) and for climate action in particular is that governance should be contextual, adaptive and resilient – as illustrated by the theory and practice of metagovernance. Both the Chinese and the Dutch government, to stay with the above example, might reach their objectives, while using different approaches to get there. Climate governance has learned this lesson after the disappointing result of the 2009 United Nations Climate Change conference (COP) in Copenhagen. Many observers believe that the summit failed because of the focus on one particular approach, popular among climate scientists and activists, namely the idea that the only solution was a legally binding agreement (see e.g. Meuleman 2010). Since 2009, climate governance has become more diverse and combines top-down with bottom-up policy mechanisms. The Covid-19 crisis has just provided even more proof that this is right.

**Rapid systemic transformation is possible**

The third lesson is that rapid and unprecedented systemic transformation is possible in each country, provided that a problem is framed – and broadly felt - as a crisis. A disaster requires the acceptance of a command and control style of leadership (in individualist countries with soft gloves to ‘pamper the pain’). This style of leadership is making a comeback in responses to Covid-19, although it is not replacing collaborative or empowered approaches. But Covid-19 has become an equalizer: all governments have switched to a central command & control style of governance. For some that was a big change, for others not. The surprise, and that is an important lesson learned, is that such a sudden switch was possible. In other words: big transformations are possible. That is good to know. We might need to rely on disaster management more often in the future than we would like to think.

Beyond disaster management, can we also accelerate SDG and climate action through fast-track policy and institutional innovations - without replacing existing incremental innovation? This depends among other things on whether public institutions are willing to become a little more risk-taking than they are used to being. Fast-track SDG implementation cannot be organized without taking risks. It is impossible without trial and error, and without failure. This we need to accept. But risk-taking is not exactly a popular issue in public sector organisations. Public institutions’ first reaction to external shocks is normally the ‘turtle’. Close the windows and doors, then your eyes, and hide. That is logical because such institutions were not invented to be flexible, innovative and agile. They are there to keeps things reliable, predictable and stable. But to be prepared better for dealing with crises we need to be able to combine stability with flexibility. So, we need institutional innovation that rewards some level of failure instead of punishing it. I have heard about research organisations who have a target failure rate of not less than 5%. Might make sense. Not for the Ministry of Justice, though.

One area where we might be able to speed things up without too much risk is multilevel governance. Top-down and bottom-up relations between levels of government are both characterized by a slow transfer of innovative ideas. A European law, for example on waste recycling, can take seven years to reach the local level where it needs to be implemented. For implementation of SDG issues, which are complex, urgent and relate to several administrative levels, we need to add a third approach and thus establish a three-speed gearbox for SDG multilevel governance. This third approach is ‘real-time’ collaborative multilevel governance. It consists of mechanisms that bring together representatives of all relevant levels of administration to implement specific SDG challenges. It is not an exotic idea; it exists, for example, in the Netherlands already. It may be more difficult in certain cultural settings. But I think it has to be tried.
In addition, governments are suddenly ready to liberate enormous funds for social-economic support and recovery during and after the corona-triggered lockdowns. These investments should be used to develop societies, including their economies, to become more resilient to shocks. Keeping investments in climate action as the highest priority is then a wise thing to do.

The 2030 Agenda and the Paris Agreement, both agreed in 2015, are together a good roadmap to guide such sustainable investments. Support comes from the International Energy Agency, pleading to put clean energy at the heart of stimulus plans to counter the coronavirus crisis. Also private investors consider this a smart approach: since the corona crisis started, sustainable equity funds overall fared better than their conventional peers. The European Commission has communicated extensively that funds for Covid-19 crisis recovery should support its priorities on sustainable development and especially climate action, and digitalization.

**We are at a crossroads**

Already now, the Covid-19 pandemic has shown some underestimated impacts of globalization. Not only are diseases travelling extremely fast to reach the whole globe, we are also observing the impact of the concentration of industrial and pharmaceutical production on low-income countries. It is too early to estimate what kind of corrections of globalization will survive after the pandemic has lost its top place on the political agendas. We cannot afford to have the Covid-19 stimulus funds support an unsustainable future. We cannot afford delays in tackling the climate crisis, which is probably the first man-made global crisis. But in a way the climate crisis is worse than Covid-19, as European Commission President Von der Leyen has said: ‘Sooner or later our scientists and researchers will develop a vaccine against coronavirus. For climate change, however, there is no vaccine.’

Taking the wrong decisions now will be worse than causing delays - it could throw our progress back years, or even prevent a sustainable pathway for the foreseeable future. Emerging trends on sustainable financing, budgeting and procurement would be blocked. This is a real risk. We have seen during the 2008 crisis how powerful global financial and economic actors were able to mobilize against structural change of their (unsustainable) ‘business as usual’ practices. And again, vested interests defending the carbon economy have become vocal very quickly and started lobbying against sustainable investments and – in Europe – the European Green Deal and the European Climate Law and Pact. Rowing back the sustainability agenda would be in stark contrast to the ‘acceleration’ theme that was selected for the July 2020 High Level Political Forum (HLPF) on the SDGs. It would not only lead to high human costs in rich countries but also endanger the continuity of the Paris Agreement and other commitments to support less developed countries.

To conclude, it takes more than markets to bring about sustainable change, and I am very happy with the re-discovery of the public sector and of the critical importance of effective governance. But just like the economy, the public sector does not exist for itself. It exists to serve the needs of the people and to respect and protect planetary boundaries. For this, we need partnerships between governments, private sector and civil society. For such partnerships we need strong government.
Climate change action – with the right mind-set many things are possible

Interview with Professor Simone Borg

By Gaston Moonen

With the European Green Deal, ambitions are set towards a carbon neutral EU in 30 years from now. To achieve this will require a lot of exchange between scientists and decision-makers to find the symbiosis between ambition, action, and achievement. Simone Borg is well placed to contribute, being Malta’s Ambassador for Climate Action, chairing the Maltese Climate Action Board, while also being Professor specialised in climate change law at the Faculty of Laws at the University of Malta, among other activities. In January 2020, she met with several ECA Members and gave a presentation on pathways to carbon neutrality. A good opportunity to interview her about key opportunities and challenges she sees, to reach such carbon neutrality. While, due to Covid-19, circumstances have changed in the meantime, her concerns certainly have not.

Mind-set changing to a common goal...

Professor Simone Borg is quite used to giving presentations to different audiences and keen to do so. ‘When I received the invitation of ECA Member Leo Brincat, who I know from his time when he was Minister for Sustainable Development, the Environment and Climate Change for Malta, to deliver a presentation, I accepted immediately.’ Climate change is a topic she likes to discuss with the widest possible range of audiences. ‘For example, recently I had a presentation for primary school children and I am always impressed how much they understand the subject. They have a very global perspective of the problem, often putting public interests high on their agenda.’ She observes that it looks like the older one becomes, the more one gets tainted with personal interests and the less willing to carry out behavioural changes: ‘We are happy to install photovoltaic panels but we are not happy to use public transport.’

When discussing what is concretely done to realise the 2015 Paris Agreement, Simone Borg’s first focus is on the change of mind to undertake such concrete steps. ‘The way the international community works is by negotiating treaties or developing state practice that becomes International law. Sometimes you have political statements that are not legally binding but initiate a political pathway. They may agree on a plan of action and heads of state commit themselves to work on the process, it depends to what extent political leadership is willing to walk the talk.’ She explains that different ministers getting together in one forum, to agree to do something together, are actually changing their mind-set. ‘This is the key issue, changing the mind-set! If there is a common goal, like what we saw in Paris - phasing out fossil fuel - that is a mind-set.’

... to what extent political leadership is willing to walk the talk.

... changing the mind-set! If there is a common goal, like what we saw in Paris - phasing out fossil fuel - that is a mind-set.
Interview with Professor Simone Borg

…but agreement on which pathways not there yet

Simone Borg argues that very often politicians can agree on a goal, but not on a pathway. ‘States are very different, Malta is a service based economy and despite the willingness of a transition to renewable energy, we do not have enough space to generate solar or wind energy to become self-sufficient, due our geophysical size.’ She explains that Malta has developed water catchment facilities, having become quite self-sufficient in water provision, in maintaining rainwater management, in desalinization. ‘Eventually we became leaders in reverse osmosis desalination technology because we invested our interests there. We do not have certain problems which industrial states have, say related to coal and steel. Thankfully, we phased out the use of coal to generate energy before 1990. But we have other challenges as a small island State. For instance, we have one of the highest population densities in the world and our high standard of living leads to consumption of goods, which generates a lot of waste. A problem because being a small island nation, we have to deal with ourselves but due to our size, we have problems with recycling targets even because we do not have economies of scale.’

For Simone Borg it is clear that with big countries having certain problems and small islands having others, having different pathways leading to the same objective, is not a bad idea. ‘But it is important that there is a level playing field. Sometimes this is where problems arise because some countries, due to their relations, are compromised in what they can do and some countries are blessed with the possibility of having different types of power: they can maximise on solar, geothermal energy, etc.’ According to her states do not only have to address climate change impacts as environmental issues. ‘It is closely linked to socio-economic development: it is also essential to ascertain a quality of life which has become to be expected of us all. This is why we have the Sustainable Development Goals. So climate change is a complex issue, not a ‘simple’ environmental problem. That is the challenge and also where the potential lies. It is not just replacing the use, for example of certain chemicals, which, once they are phased out, the problem is resolved. With climate it is much more complex.’

Coming back to goals and pathways, there is also the legal component that, also thanks to climate action pressure groups, have led governments to adopt legal commitments. Simone Borg: ‘We have seen this happening in several countries: national courts have been demanding governments to be more assertive in curtailing emissions as climate action measures. For example, we have the Urgenda case in the Netherlands.’ She believes civil society organisations can influence many politicians. ‘When we have a society that is adamant to engage in climate action, politicians have followed suit. With climate we are fortunate to have treaties like the Paris Agreement which is legally binding. But policy is also valuable. The Sustainable Development Goals, are not a legally binding document and because of their nature it may not make practical sense to make them legally binding. They are still influential, like Agenda 21 of 1992, its influence on environmental policies around the world was impressive.’

Scientific research and business initiatives as stepping stone for action

When speaking about the European Green Deal, its ambitions and risk of achievements, with possible effects on trust of EU citizens, Simone Borg links this directly to a condition she talked about earlier. ‘It is all about changing the mind-set! Let’s not forget that the ambitions are simply measures responding to what scientific research is telling us, particularly by the Intergovernmental Panel on Climate Change, by academic and NGO’s and business associations, providing us with so many reports that show us the true picture of what is happening.’ For her this is a huge improvement over the past, when people did not have so much scientific information and acted on what they were seeing - perhaps witnessing - pollution and subsequently taking measures. ‘Nowadays we have all the scenarios, from the IPCC, from others, and the assessment reports have been essential impacting upon the mind-set of policymakers. Pessimism and the sense of having a...
defeatist mentality prevail when we look at things without questioning what we are doing and avoid to look at the potential of changing things for the better. This is where the younger generation surpasses our thinking.’

Simone Borg compares it to the alarm call that you get from your doctor in view of your specific lifestyle. ‘If the message is that you cannot survive with that we cannot sustain that lifestyle. We have to change our habits: this is what we are being asked to do.’ And solutions might be pleasant or less pleasant: ‘Every time humanity has been faced with an issue of changing its way of doing things, sometimes it was even a violent change like a revolution or a war, but it was always a wakeup call. I think in our modern age, science is the driver of our thinking.’

An element that worries her is that not all players, either in the public or in the private sector, are not there yet when it comes to changing their mind-set. ‘The US decision to withdraw from the Paris Agreement was the most shocking. The Paris Agreement is so flexible, this has been in fact one of the points why it was also criticized: it gives a lot of discretion to state parties. So she finds it puzzling why a country like the US - in the forefront of innovation and research and a major emitter - does not see there is enough flexibility and therefore pathways to make things work in addressing climate action. Especially since more and more businesses are changing their mind-sets toward a greener and carbon neutral economy. ‘These last few years, the greatest divers of change have been businesses, participating pro-actively in the recent COP summits. In collaboration with researchers, academics, business sectors promote what they are doing: new products, new ideas, new information, new ways. I think this has been a major driver to keep up the momentum on climate action. And the part played by the younger generation has been extremely positive and encouraging . I think at the end of the day, it is this commitment to achieve carbon neutrality that fuels this momentum. Since Paris we have a goal, before Paris, we did not have this common goal as clear as we have now.’

**Identifying gaps in ambitions and achievements**

Professor Borg is quite outspoken when discussing the role the ECA and public auditors in general, can play in assessing gaps between ambitions and achievements. ‘Here public auditors have a pivotal role. If I look for example at the [2017 landscape review on energy and climate change](#) and several other related reports the ECA published: very valuable reports to assess how the money is being used, how efficient and effective EU money provided was, producing which results. This is what governments need for effective policymaking: how to achieve the best results, how to make the most of funding, the necessary checks and measures.’

A concern she thinks needs ample attention are the different priorities Member States may have when using public funds, one possibly at the detriment of the other. ‘Of course, with public funds, you have to make the most out of using them. But sometimes, in doing so, they can lead to other environmental problems. For example will investing in hydroelectricity be detrimental to habitats and biodiversity in the locality?’

On her own priority list, she has the issue of vulnerability. ‘It is touched upon in the ECA’s landscape review but we need it to be even more related to climate change. How can individual Member States ensure resilience? An issue that the European Commission also engages on with other countries, like on the African continent. Because both continents need to work on adaptation measures in view of situations related to crop failures due to drought and consequently famine, shifted cultivators, displacement of people, etc. These are often related to consequences of climate change.’ She realises that these are not necessarily new threats, regularly met by scepticism from people saying
When speaking about concrete steps for achieving the climate change goals for the EU, Simone Borg underlines again the change of mind-set as the next step. ‘This time I am talking about the need for encouraging and realising a meaningful stakeholders’ dialogue, allowing Member States to really listen to their communities’ concerns. Climate action and the entire Green Deal requires a transition to a new economic model. She thinks a dialogue in the end will be more productive then just imposing top down measures: ‘Whenever you impose climate actions many Member States’ concerns will first relate to their economy, to jobs, etc. I think it is important to engage in dialogues with stakeholders to understand the fears of these people, the impacts, socio-economic impacts and how this can be avoided or as much as possible softened to get them on board. To really put into effect a Just Transition’ She adds that it is in human nature to react against something imposed on us, thinking ‘this is an intrusion,’ ‘Brussels is interfering in my daily life,’ etc. ‘But it is actually the other way round: these measures to achieve carbon neutrality are for the benefit of the regions, for communities in the long term. I think the emphasis of the Green Deal has been, from the beginning, on the regions with the saying “no one can be left behind.” That is a crucial point, this understanding that it is not a “one size fits all” approach.’

Simone Borg realises very well that one can draw this line even to the individual level, translating climate change ambitions to your own personal life. And that for some people behavioural changes means sacrificing their comfort zone. ‘There are things we can change ourselves, which could also imply that we have to spend more, in money and/or in time or simply to think ahead. If we refuse one-way plastics, it would change our lifestyle of relying on disposables: it may seem simple but requires thinking ahead. For example, I would have to take my container to the fishmonger, take a cup at the office or at a meeting which would be an easy change for some and a nuisance to others but it is necessary to effect the change we need.’ She points out that there are also changes to be made which are not necessarily to be done by the person in the street but related to innovation in technology – like an electric car or a hydrogen charged car. ‘Can we have ships and planes powered by hydrogen? That often does not depend on an individual person, but whether governments make these options available, enable them to grow through funding research etc.’
EU as platform to stimulate pathways for realisation

She believes that the EU has some clear advantages to stimulate this: ‘We are at an advantage because we work together, as 27 Member States. A very important condition to keep a level playing field is that when going for technology that is not a fossil fuel based, options available also need to be tech neutral. That can take time, she therefore pleads for interim measures, such as offsetting certain carbon credits that cannot be immediately removed because technology does not offer an option as yet. ‘But this has to be an interim measure – like the cut-off date, for combustion engine cars for example. It will be a huge thing, but we have to do it!’

To stimulate such a transition, by both business and citizens, Professor Borg refers to a number of incentives that policymakers can use, apart from sheer enforcement and taxation measures. But she prefers to see it on a larger horizon: ‘What is fundamentally important to drive change is also for governments for example to provide the requisite infrastructure. Because if you buy an electric car and it is such a hassle to charge it, to change to a new electrical system at home, all of the sudden you realise that all of the incentives you enjoyed to keep the price of the electric car low, evaporate. So governments have to facilitate the behavioural change too. There is a role for governments to play here, entering for instance into private-public partnerships to encourage business ventures to achieve carbon neutrality.’ But she believes that enforcement should not be a taboo: ‘Enforcement measures should come in, in such a way that it encourages a total shift. But this has to be pre-planned to ensure a just transition, and that there is availability, options and that the technology available is accessible to all. It needs to be available on a large enough scale, so with ample capacity to address even problems with the new technology.’ For her this means that car mechanics need to be retrained, etc., for which she also sees a role of government to play in liaison with the academia.

As Malta’s Ambassador for Climate Action, as visiting lecturer at the University of Leuven, at the International Maritime Organisation, and at the University of Auckland, Simone Borg gets around. She sees that the mind-set is changing towards a common goal of carbon neutrality. ‘More and more people realise that giving up is not an option. That drives us to keep soldiering on, working for climate change action.’
Our responsibility towards future generations – Frans Timmermans and the European Green Deal

By Gaston Moonen

In the European Union, it is the European Commission which proposes legislation, looking for initiatives for the EU’s future beyond the immediate horizon. One of the most visible people in the Commission, besides President Ursula von der Leyen, has been Frans Timmermans. This is not only because he is Executive Vice-President in the Commission but also because in the last six months, since the Commission has been in office, he has launched multiple proposals regarding his core responsibility, the European Green Deal. Below an overview of some of the main elements he has launched and some key comments he has given on them.

Making the European Green Deal the Commission’s top priority

In July 2019, Ursula von der Leyen was put forward as the surprise candidate to become the President of the new European Commission. As Germany’s Minister of Defence at that time, she had not been involved in the 2019 elections for the European Parliament; nor had she been the European People’s Party (EPP)’s nomination for the Commission’s Presidency – that was Manfred Weber. To persuade the newly-elected European parliamentarians to vote for her as an outsider, she clearly had to listen carefully to their political wishes and priorities. With the slogan ‘A Europe that strives for more’, she launched her political guidelines, in which she presented six headline ambitions for the EU for the 2019-2024 period (see Figure 1). The European Green Deal is on top of this list, being key to live up to the commitments made by the EU and its Member States in the 2015 Paris Agreement.

Figure 1 – Priorities of the Von der Leyen Commission

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<tr>
<th>Six headline ambitions</th>
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<td>Promoting our European way of life</td>
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<td>A new push for European democracy</td>
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Frans Timmermans - the ‘Green Deal’ Commissioner

Ursula von der Leyen decided to give one of her big political competitors for the Commission’s Presidency, Frans Timmermans – who had been the Socialists and Democrats’s candidate for the post – the task of preparing, launching and implementing the Green Deal. Within the previous Juncker Commission, he had been the First Vice-President, in charge of Better Regulation, Inter-Institutional Relations, the Rule of Law and the Charter of Fundamental Rights and a particularly visible Commissioner. As Executive Vice President in the von der Leyen Commission, he became responsible not only for the European Green Deal, but also for drafting the first European Climate Law to reach the 2050 climate-neutrality target. This includes a whole set of actions, ranging from stepping up the 2030 emission reduction target to 50%, to developing a biodiversity strategy for 2030, and reviewing tax policies and the Energy Taxation Directive, including the introduction of a carbon border tax.

On 11 December 2019, Frans Timmermans presented the European Green Deal. Since then, he launched a set of proposals to specify for several parts of the Green Deal, the targets that need to be reached and the possible pathways to them (see also page 131). Each of these proposals will be translated into legislation for adoption by the European Parliament and the Council. The first legislative proposal is the European Climate Law, which enshrines this 2050 climate neutrality target and aspects on the increased targets for 2030.

Europe’s role in green transition across the world

As well as coming across as passionate, Frans Timmermans has been very clear in his objectives with the Green Deal and its underlying proposals. According to one of his team members, three key issues stand out in his approach to making the EU carbon-neutral:

• solidarity in the EU, leaving no one behind;
• developing a clean, carbon-neutral economy – and, after Covid-19, helping economies recover towards this goal; and
• enabling the transition in each Member State in a way which suits it, while preserving the Union’s unity.

In many of the presentations Frans Timmermans has given in relation to the Green Deal and its underlying elements, he has appealed to engagement and responsibility, the explicit role Europe has to play in green transition across the world, and the solidarity and funds needed to get everybody on board. Below are some of the issues and concerns he has highlighted.

When speaking about the European Green Deal to the European Parliament on 11 December 2019:

If you are a responsible Member of Parliament, if you’re in a responsible position in the Commission, if you’re a citizen, if you’re a parent, you do not have the luxury to ignore the facts. Look at what’s happening in Greenland. Look at what’s happening globally with our climate. Look at the desertification. Look at the erratic weather. Look at the people suffering because of this erratic weather across Europe. Look at what’s happening to our biodiversity as we speak. We do not have the luxury to ignore this anymore.

So the question we have to face today as Europeans is this: are we going to try and be masters of this momentous change, of this paradigm shift, or are we just going to let it happen?

…if this is not a social Green Deal, the Green Deal will not happen.
When presenting the **European Green Deal investment Plan and Just Transition Mechanism** in January 2020:

What we are doing here is a message to coal miners in Asturias, Western Macedonia or Silesia. To the peat harvesters in the Irish Midlands. Baltic regions reliant on oil shale, and many more. We know you face a steeper path towards climate neutrality. (…) This Just Transition Mechanism - of at least 100 billion euros - is a pledge that the European Union stands with you in this transition.

Let me end on one thing, yes it was said, I am a grandson of coal miners, that's right. But I also know: the writing is on the wall is for coal, there is no future in coal! And if you want to ignore that reality, you can continue subsidising mines for years and years to come at great expense.

When speaking about the first **European Climate Law** in January 2020:

…my fundamental point is: we can do this! We have the science, we have the technology, we can certainly find the money. (…) if you just look at the size of investment that is still being done in fossil fuels. If you reorient that or at least part of it into this direction, we can find the money.

The climate law, in my view, in simple words is important because it will discipline everyone in this process, especially on the political side, to take the necessary steps, to deliver on this promise to become climate neutral by 2050. And it will give the institutions that need to coordinate this also the legal possibility to act when those who made promises don't deliver on the promises. So it is an exercise in discipline in this transformational age. (…) people will be horribly disappointed if we do not start soon delivering concrete actions. And in that context I hope the climate law can be extremely useful. (…) our biggest challenge is to get the governance of this right. (…) the ‘what’ is not longer the real issues, it's the ‘how’ that is the real issue.

And introducing it in **March 2020**:

The European Climate Law is also a message to our international partners that this is the year to raise global ambition together, in the pursuit of our shared Paris Agreement. The Climate Law will ensure we stay focused and disciplined, remain on the right track and are accountable for delivery.

When presenting the **New Circular Economy Action Plan** in March 2020:

Today, our economy is still mostly linear, with only 12% of secondary materials and resources being brought back into the economy. Many products break down too easily, cannot be resued, repaired or recycled, or are made for single use only. There is a huge potential to be exploited…
When presenting the Biodiversity Strategy and the Farm to Fork Strategy on 20 May 2020:

…by destroying nature at an unprecedented rate (…) we literally threaten our own life, our health and our well-being. As climate and biodiversity crises are fully interconnected, stopping biodiversity loss is a precondition for reaching climate neutrality. It is an economic imperative as well, as almost half of the world’s GDP is linked to nature.

The Farm to Fork strategy builds a value of sustainability through the food chain. (…) We also aim to curb the use of antimicrobials that lead to 33,000 deaths in Europe every year. (…) With this strategy, we will support them [farmers and fishermen and women] in their role to make European food the global standard for sustainability. We estimate that at global level, sustainability food systems can create new economic value of more than 1.8 trillion euros.

When speaking to the EP Committee ENVI (Environment, Public Health and Food Safety) on 21 April on the Covid-19 crisis and the European Green Deal:

I’m almost 59 years old, but I have never seen a challenge as big as this Covid-19 crisis. This is a challenge that nobody could have predicted. We have seen decades of habits change within mere weeks. Many of the things we assumed would be eternal or changing very gradually have suddenly changed in a radical way. We probably have to reinvent the way we live, the way we relate to others, the way we consume, the way we produce, the way we see our international relations.

This is the very moment that we must appeal to our fight impulse and not to our flight impulse. It remains to be seen whether we as Europeans are able to understand that we can only fight on the basis of the values that define us: if we stick together, if we create pan European answers to a global problem. If instead the flight impulse dominates, if Member States go it alone, then certainly some of us will stumble. And when some of us stumble, all of us will fall.

The European Green Deal is not just a way to confront the climate crisis and the biodiversity crisis, but also a way to give Europe a growth strategy that is a winning strategy, not just for Europe itself but also globally. Now if this is to work, then we have to make sure that we are all on the same page.

On a Green and Just Recovery on 28 May 2020, after the presentation of the NextGenerationEU plan:

The MFF with its 25% allocation for climate action remains the bedrock of our green transition and our economic recovery. And under this new recovery instrument, NextGenerationEU, we will support investments and reforms that are essential for a sustainable recovery. (…) With this package, we also commit to ‘do no harm’ with regard to our climate ambitions. What we do should help us fulfil these ambitions and should not go in the other direction.

…this economic crisis has raised an existential question. ‘Do we rebuild what we had before? Or do we seize the opportunity to restructure and create different and new jobs that can serve us for decades to come?’ We rebuild but in a different direction.
The Green Deal - our responsibility towards future generations

As to a more detailed timetable toward climate neutrality for the EU, the Executive Vice-President intends to provide further clarifications by September 2020. As he explains in an interview for the Dutch radio (Vroege Vogels, 16 March 2020): ‘I have seen in Europe that you can put forward nice objectives which are beautiful and might get agreement from everybody. But if you do not bring forward the pathway to this goal you will never arrive there. So what we are doing now is to set-up a timetable guiding us to climate neutrality in 2050. Mind you, timetable, not blueprint. Because you need to be able to adapt things that are not going well and use those solutions that work out well.’

He explained that only by mid September 2020 could such a timetable be expected. ‘Because we need to analyse rather precisely what the consequences are of certain targets in all Member States. If, for example, you would indicate that by 2030 emissions should be reduced by 55% compared with 1990, then this has consequences for the policies in all Member States. This is what we would like to map, in order for all countries to know what they will be up to.’

Furthermore he calls upon scientist to help as much as possible for further quantification towards possible data and how to measure things. He indicated it would not be an easy task to meet the Paris Agreement targets. ‘Of course this will not be easy. This will take a great effort. But if we only do the easy things we would be very lazy and complacent. We need to make that effort and do it right.’

What motivates him to make the Green Deal almost his life work? Frans Timmermans responded in that same interview: ‘I will become, if all goes well, a grandfather for the first time this year. Let’s suppose I have another 20 years. And my grand child is then 20 years old and says “Grandfather, what did you do? You knew that this was going to happen?” I want to be able to respond to my grandchild: I have really tried to contribute. And I tried to engage everybody to do the same. This is the moment where we have to show whether we are capable of fulfilling our responsibility towards future generations.’
Climate action – already at the forefront of EU policy making for a decade

By Mauro Petriccione, Director-General for Climate Action (CLIMA), European Commission

The European Commission has developed an increasingly prominent and horizontal role in climate action over the last decade. DG Climate Action, which celebrates its 10th anniversary this year, is in the frontline of the fight against climate change at EU and international level, for example developing and implementing the European Emissions Trading System. It also coordinates the Commission’s efforts to meet multiple European and international commitments regarding the climate. Mauro Petriccione has been the Director General of DG Climate Action since early 2018. In this article, he reflects on the Commission’s past role in addressing these climate challenges, as well as outlining the key opportunities and challenges for the future under the European Green Deal. Moreover, he considers how the ECA helps to make the EU’s climate action more effective.

Clear timeframe set towards climate neutrality

EU climate action has entered an important stage of development. The long-term goal of climate neutrality in the EU by 2050 has been agreed by the European Council, and the announcement of the European Green Deal in November 2019 has projected the issue to the forefront of European policymaking (Figure 1). The 2050 climate neutrality target, which the European Commission has proposed to enshrine in EU law, now means that the green transition, one of the twin flagship initiatives of the Von der Leyen Commission, has a clear timeframe and the Commission is working hard to implement the appropriate short-, medium- and long-term policy instruments to achieve this.

Figure 1- Key elements of the European Green Deal

The European Court of Auditors provides valuable input for the implementation process of EU legislation, and it will continue to do so as the Union moves ahead with its ambitious climate agenda. Through its audits, the ECA has been providing independent assessments of the performance of EU climate policies to ensure the Union delivers and that citizens benefit from these, thus improving public accountability in the EU. The ECA’s role will become no less important as we move forward; in this case, by assessing the EU’s contribution to the delivery of a clean and healthy planet for all, combined with a modern, efficient and competitive green economy.
I will take this opportunity to take stock of our achievements so far, as well as to discuss the developing role of public audit as the transition to a climate-neutral economy is progressing. This reflection is particularly pertinent at the time of publication, as the EU looks at ways to revive the Single Market following the shocks caused by the global Covid-19 pandemic. Short- and medium-term measures are already being put in place, but money must also be invested in a smart and sustainable manner, in innovative research, digital infrastructure, clean energy, a smart circular economy and transport systems of the future to ensure that Europe comes out stronger in the long term. We are indeed well placed in this sense, given our considerable patent assets in green technologies, and we should capitalise on this momentum to ensure our economic recovery is a green one.

Taken together, these considerations will allow us to apply the lessons we have learnt to the future opportunities and challenges presented by the transition to a climate-neutral society, in line with the UN sustainable development goals directly related to climate change.

**Being a pioneer by creating a transformative framework**

In the past 5 years, the EU has established a transformative framework that will reduce our emissions by at least 40% by 2030. This experience taught us how to better integrate climate and other policies into the Energy Union and send coherent policy signals that drive real investments.

In 2015, before the Paris Agreement was reached, the EU had already started to deliver ambitious climate policies at home. It established an economy-wide framework of climate and energy policies to achieve greenhouse gas (GHG) emissions reductions of at least 40% by 2030 compared to 1990 levels. This included revising the EU Emissions Trading System (EU ETS) for the period 2021-2030 and an agreement on the Market Stability Reserve to address the surplus on the EU carbon market and improve its operations.

The EU’s position at the forefront of international climate and energy policy allowed us to play a decisive role in paving the way for the Paris Agreement. Since then, we have worked with major economies, e.g. China and Canada, to maintain high levels of political support for implementation, as well as helping to negotiate a robust ‘rulebook’ for countries to deliver upon their Paris goals.

We also set national Green House Gas (GHG) emissions reduction targets for non-ETS sectors such as transport, buildings, agriculture and waste management, incentivising Member States to take action on the other economic sectors, allowing for reductions of up to 30% by 2030 compared to 2005. These are based on the principle of fairness, with Member States’ targets ranging from 0% to -40% from 2005 levels depending on individual capacity.

A regulation on land use, land use change and forestry was adopted, placing the onus on Member States to ensure that the overall absorption of GHG emissions by these sectors is maintained and improved when compared to a ‘business as usual’ scenario in the period 2021 to 2030.
The EU also addressed emissions from transport, a key source of emissions in Europe and worldwide and the only EU sector where emissions are rising significantly. We approved an ambitious proposal to set CO₂ emission standards for cars and vans for the period after 2020, where emissions from new cars will have to be 37.5% lower in 2030 compared to 2021 and emissions from new vans will have to be 31% lower.

By 2018, the EU had already reduced its emissions by 23% compared to 1990 levels, while the economy grew by 61%. Not only did this benefit the climate and the environment and therefore citizens, but also helped to create the four million ‘green jobs’ that currently exist in the EU. This shows that decoupling emissions from economic growth is possible, proving that reducing emissions and economic prosperity are mutually beneficial policy objectives.

The EU has put in place all the necessary EU policies to deliver the existing 2030 climate and energy objective of reducing emissions by at least 40%, domestically, compared to 1990. However, scientific research shows it is clear that this will not be sufficient for the long-term.¹

For this reason, the EU has decided to go significantly further and undertake an economy-wide transition to achieve climate neutrality by 2050. In November 2018, the Commission released its long-term strategy, A Clean Planet for All, as a blueprint for action, recommending that the EU should pursue efforts in line with the 1.5°C temperature goal agreed in Paris and deliver an economy-wide transformation, within a generation, to modernise and green our economy whilst bringing prosperity to citizens. Following an extensive stakeholder debate, the objective was endorsed by the European Parliament and European Council in 2019.

Indeed, climate neutrality is a central tenet of the European Green Deal, itself a flagship policy initiative of the Von der Leyen Commission. Within the first 100 days of the new mandate, we had already formulated a series of strategies with the aim of aligning EU law and policy with the climate neutrality goal. Following the presentation of the European Green Deal in December 2019, the Commission announced the Green Deal Investment Plan and Just Transition Mechanism in January 2020, followed by proposals in March for the first-ever European Climate Law enshrining climate neutrality in EU legislation, a new Industrial Strategy and Circular Economy Action Plan.

¹ See for example https://www.ipcc.ch/sr15/
Example of one of the key parts of the climate proposals of the current European Commission. In addition, by September 2020, we will present an impact-assessed plan to increase the EU’s GHG emission reductions target for 2030 to at least 50% and towards 55% compared to 1990 levels in a responsible way. Following the assessment, the Commission will amend its Climate Law proposal to include the new 2030 target. Similar assessments will be undertaken to support the update of other key pieces of legislation that underpin our climate policy, including the EU Adaptation Strategy.

In other words, European climate policymakers are pursuing the objective of increasing medium-term ambitions for 2030, as well as paving the way for the long-term goal of climate neutrality by 2050. The Commission is currently engaging with co-legislators to enshrine these two objectives in law by the end of the year, thus fulfilling an obligation to European citizens to fulfil these goals.

The Executive Vice-President for the European Green Deal, Frans Timmermans, has made it clear that he intends to go ahead with this agenda in spite of the difficulties resulting from the Covid-19 pandemic. Specifically, the EU still intends to submit its enhanced Nationally Determined Contribution for 2030, despite the postponement of the COP26 climate summit due to the spread of the coronavirus.

**EU’s climate action has intensified…and so has public audit of it**

Public audit is, quite correctly, paying increased attention to EU climate policymaking as it undergoes these significant developments. Indeed, the Commission has observed a steady increase in the ECA’s interest in climate-related policies and their integration in other policy areas. In its more recent reports, the ECA has gone beyond financial performance audits and provision of assurance for the annual budget discharge exercise, toward assessments of policy coherence between different policies, within a single policy, as well as assessing whether the mainstreaming of climate and environmental aspects has been sufficient.

It has gradually shifted from compliance-based audits to performance-related audits, a positive progression that ensures we do not only achieve the bare minimum, but also seek to perform to the best of our ability. Equally, tools such as the 2017 climate and energy landscape review and specialised policy briefs have proven valuable instruments for our policymaking.

Examination of the EU’s GHG emission reductions was the subject of a recent audit by the ECA, published as special report 18/2019 that has increased the visibility of reporting on GHG emissions, and we appreciate its acknowledgement of the Commission’s and the European Environment Agency’s work to ensure and improve the quality of EU reported GHG emissions. The reporting of emissions, climate policies and measures is a collective effort of the EU, where the Commission relies on close collaboration with Member States.

The ECA also scrutinises the different implementation phases of the EU ETS. As the ETS has evolved, progressive audits are being carried out. The ETS has already been assessed for the initial two phases, set-up and implementation, in the ECA’s special report 6/2015, and is currently being audited for Phase III (2013–20) and IV (2021-30) regarding free allocations.

The ECA is also currently undertaking an assessment of what is known as ‘Climate Expenditure Tracking,’ in order to estimate the financial needs arising from the necessary energy and climate investments. This aspect is covered by two ongoing reviews, one with clear reference to the mainstreaming audit (special report 31/2016), and another, newer review named ‘sustainable finance for climate action.’
The qualitative shift in approach has proven constructive, providing useful suggestions for our policy development. Its value can be observed in the 2018 New Entrants Reserve (NER300) audit (special report 24/2018), where the ECA recommended steps to be taken to clarify the ownership and to monitor the accounts and the balance sheet of NER300’s successor programme, the Innovation Fund, despite the fact that funds for the latter will not stem from the EU budget. To the extent possible, these recommendations were factored into the governance process of the Innovation Fund.

Mainstreaming climate into EU’s long-term budget to live up to commitments made

Recommendations by auditors can make a difference. For example, at the behest of the EU’s external auditors and others, the Commission is seeking increased mainstreaming of climate-related expenditure into the EU’s long-term budget, the Multiannual Financial Framework (MFF). In 2018, it proposed raising budgetary expenditure on climate from 20% of the 2014-2020 MFF to 25% for 2021-2027. President von der Leyen has been clear in her aim, following the example of her predecessor, of mainstreaming climate action and climate finance into all EU policy areas.

This increase in ambition is supported by Commission proposals to strengthen climate action in key areas, such as agriculture and rural development and external action, and increase dedicated funding for climate action under the LIFE programme.

To conclude, I would like to highlight the importance of a constructive, open and fair interaction between public auditor and auditee, and of ensuring that good planning remains in place. Good timing of the audits and of the publication of the reports is essential to ensure that the Commission derives utmost benefit in its legislative work from the recommendations of its independent auditor. In this way, together, we can ensure effective delivery of our world-leading commitments to EU citizens.

1 See for example in section 2.2, “Mainstreaming sustainability in all EU policies”, European Green Deal Communication
Stepping up climate action audits…to address climate change realities

Interview with Iliana Ivanova and Nikolaos Milionis, ECA Members

By Gaston Moonen

During the last three years, the ECA has published over 15 special reports on EU climate change action (see also page 47). For the upcoming three years even more audits, plus several reviews, are planned in this area. Nearly all of these reports have been prepared by the audit chambers ‘Sustainable Use of Natural Resources’ and ‘Investment for Cohesion, Growth and Inclusion’. Until 30 May 2020, Nikolaos Milionis was chair of the former and Iliana Ivanova is currently chair of the latter, meaning they both have an overview of their chambers’ activities in relation to EU policies on climate change. All the more reason to interview them regarding their perspectives on the ECA’s audit activities, and also in view of the recent ‘European Green Deal’ initiative and the UN’s Sustainable Development Goals (SDGs).

ECA audits cover a wide range of climate-related issues…because many aspects of EU policies concern the environment, and also because climate change directly concerns EU citizens

What would you consider to be climate change action-related topics: would you use a rather narrow approach or a wider one, also including issues such as waste treatment or organic foods?

For Nikolaos Milionis, Dean of the ECA chamber auditing the sustainable use of natural resources, climate change is a global phenomenon for which everybody is responsible. ‘It is the result of our collective actions, from the production of goods and services to their final consumption. I do not believe the issue can be solved by taking a narrow view of problems which are very often interconnected. The landscape review on EU action on energy and climate change published in 2017 shows the wide range of sectors covered by EU climate change policy.’ Iliana Ivanova, Dean of the ECA chamber auditing
investment for cohesion, growth and inclusion, argues that climate change is not a new issue, and affects many aspects of our lives: ‘A wide range of human activities affect the climate. While in recent years society has become much more sensitive about this problem and a number of initiatives have been undertaken, I believe that it is important to address the issue in a more holistic way, meaning a wider definition of what relates to climate action. Seen in that context, topics such as sustainable urban mobility, high-speed rail or inland waterways could be of particular relevance, as developments in those areas may have a positive or negative impact on the environment.’

For Nikolaos Milionis it is clear that many other policies will have to be adapted to new climate realities: ‘Climate change will also have global consequences: for our capacity to feed ourselves, biodiversity, migration flows, the frequency and impact of natural catastrophes. Our special reports on the Floods Directive [special report 25/2018] and on combating desertification [special report 33/2018] drew attention to the need to increase efforts to mitigate the effects of climate change.’

The ECA has published over 15 reports related to environment and climate change action since 2017. And for the period 2020-2022 another 20 are in the pipeline, at least according to the pre-corona crisis schedule. Which reports relating to climate change action stand out for you when considering the discussions in your audit chamber?

Iliana Ivanova explains that, while she considers that her audit chamber is not directly involved in auditing climate actions, they carefully assess this aspect when auditing issues related to this matter. ‘For instance, earlier this year, our audit chamber dealt with a special report on sustainable urban mobility in the EU. Road transport is one of the main causes of air pollution and greenhouse gas emissions in urban areas while the costs to society are estimated at €270 billion a year. She adds that her audit chamber examined whether EU support had helped make mobility in urban areas more sustainable and whether cities had made progress since the European Commission’s 2013 Urban Mobility Package. Such a package is important from a climate perspective: ‘An important lesson from our report is that an efficient public transport network, integrating surrounding areas and involving different transport options, is crucial to encouraging citizens to shift from private cars to cleaner means of travel such as walking, cycling, and public transport.’

For Nikolaos Milionis it is clear that the ECA’s 2016 landscape review on energy and climate was the cornerstone for the series of ECA reports related to climate change. ‘Climate change and sustainability development has now become part of the core business of the ECA. The landscape review showed how challenging it is to adapt the current policies to meet the ambitious long-term emission reduction targets. In order to achieve the 2050 objective, the emission reduction rate will need to outpace historic levels by three to four times after 2030!’ He adds that the 2016 review also highlighted the strong involvement of many supreme audit institutions (SAIs) in the area. ‘Our review of 269 of their reports showed a certain convergence of their findings regarding the completion of the EU internal energy market and the obstacles to the development of renewable energy or energy efficiency projects.’

Many of the report titles of the ECA reports related to climate change and environment are not too encouraging: ‘Little progress from EU action on pesticides,’ ‘Important contribution to greater energy efficiency reduced by significant delays and non-compliance,’ ‘Wind and solar power: significant action needed if EU targets to be met,’ ‘Desertification in the EU: steps so far lack coherence,’ ‘Carbon capture (...): intended progress not achieved in the past decade,’ etc. Is the general conclusion that can be drawn then that the EU is way off target?

Iliana Ivanova understands that sometimes ECA reports can come across as critical. ‘Often they highlight weaknesses and areas for improvement. On the other hand, I believe that
it is also very important to show good examples when we see them. She finds it difficult to summarise under one heading the conclusions of all ECA reports relating to climate change and the environment. ‘But what is crucial is that the Commission works together with Member States to ensure the effective implementation of EU policies in the area of shared management.’ Nikolaos Milionis underlines that the environmental challenges ahead of us are not to be underestimated. ‘The EU has set itself ambitious objectives: achieving carbon neutrality, halting the loss of biodiversity and aiming for zero pollution. Our reports present fairly the distance that still separate us from these goals and give recommendations on how to achieve faster progress. The new Green Deal is stepping up these efforts and defining a pathway to achieve the goals set.’

**The European Green Deal as a building block for achieving the Sustainable Development Goals**

*Do you expect that the European Green Deal will substantially affect the work of the ECA and your audit chamber in particular, and how? Do you expect it to change the work the ECA will do in other policy areas?*

Nikolaos Milionis explains that the ECA is constantly following key developments in EU policies. ‘And the European Green Deal is one of them. Many reports we have published or are currently working on anticipated the environmental issues covered by the Green Deal. Reflections on its impact are also guiding our choice of tasks for the upcoming years.’ As an example he refers to a follow-up of the ECA’s special report 31/2016 on the EU’s commitment to spend at least one euro in every five from the EU budget on climate action. ‘We will soon publish a review on how the Commission accounts for the amounts spent on climate action.’

For Iliana Ivanova the Green Deal presents an ambitious package of measures touching upon several policy areas. ‘And climate action is at the heart of it! The Commission initially proposed spending more than €300 billion on climate-related activities, which represents around 25% of the EU budget proposed at the time for the next seven years, and perhaps this will increase in the ongoing discussions. We are auditors and, as such, we follow the money, and therefore there is no doubt that we will audit more and more of these actions.’ She gives a concrete example. ‘Recently our audit chamber issued an opinion relating to the creation of the Just Transition Fund, which will be an important instrument for action channelled through the EU budget. This will be important when the Commission presents a revised Multiannual Financial Framework proposal following the Covid-19 crisis, as this could possibly have major implications for our audit work. We are monitoring this issue closely.’

*Policies for climate change action are often linked to the 2030 sustainable development goals, the SDGs. Do you see further integration of climate issues, of sustainability, in the other policy areas audited by your chamber?*

Iliana Ivanova makes it clear that the SDGs go beyond climate action and also cover a broad range of areas such as poverty reduction, quality education, jobs, sustainable cities and communities. ‘All of these themes closely relate to actions already audited by our audit chamber, assessing EU policies for cohesion, growth and inclusion.’ She refers to the roadmap for recovery from the Covid-19 related crisis, put forward last April by the Commission and the Council. ‘They identified two themes – Green Transition and Digital Transformation – as key for relaunching and modernising the EU economy. These recent developments will have a big impact on our work and we, as the external auditor of the EU, should adapt to this changing environment to ensure more added value from our products and more accountability for the EU taxpayer.’
Interview with Iliana Ivanova and Nikolaos Milionis, ECA Members

For Nikolaos Milionis it is clear that sustainable development is the answer to climate change, both regarding mitigation and adaptation issues. ‘If a solution is to be found that is sustainable, it must take into account not only the environmental objectives, but also the economic and social dimensions. Our audit chamber also covers other environmental issues such as biodiversity, pollution or the contribution of the Common Agricultural Policy to greening objectives, examines the inter-links between the related EU policies and the impacts of climate change.’

The ECA has published special reports and reviews, including a landscape review, on issues related to the environment and climate change, plus reviews of information to be presented to the public. Do you see that such latter reviews, including for example review no 1/2019 on the EU’s response to the ‘dieselgate’ scandal, trigger a different kind of interest, from different stakeholders, than the more normal reports? What would you identify as key added value elements of these reviews?

Nikolaos Milionis welcomes these reviews as different, more flexible products that the ECA has been using to complement its special reports, presenting different perspectives. ‘However, they do not replace our audit reports that go into a more in-depth analysis of the evidence available on the performance of a programme and provide recommendations.’ Iliana Ivanova shares his view: ‘Indeed, reviews complement the portfolio of ECA products and provide useful contributions to the debate.’ She underlines the very positive experience she had with such products in recent years. ‘We presented several of these reviews to the relevant committees in the European Parliament and they led to very useful discussions between key stakeholders.’ For her these new products allow the ECA to provide a different type of contribution in addition to what the ECA presents with its special reports. ‘For example, they are usually quicker to carry out and thus we could comment at an earlier stage of implementation. The key positive aspect here is that we are able to identify key risks or challenges early enough in the process.’

Closing the gap between EU ambitions and their achievement

We often see a discrepancy between the ambitions formulated at EU level and implementation of the related goals in the Member States. What tools does the EU have to close the gap here, and which ones have proven, according to audit findings, to work well?

As a former Member of the European Parliament, Iliana Ivanova understands all too well the complex environment where, as she explains, two legislators co-exist – on the one hand the European Parliament, on the other hand the Council, where all Member States participate. ‘Sometimes these institutions have different views and need to search for the right compromise. We have seen several cases in the past where the Commission has promised more than could subsequently be achieved. I can give you the example of the Youth Guarantee, where our audit found that this initiative fell short of the initial expectations raised at its launch, namely to provide every young person not in employment or training a good quality offer within four months.’ She refers to a key recommendation in this report: ‘The Commission and Member States should manage expectations by setting realistic and achievable objectives and targets while performing gap assessments and market analyses prior to setting up the schemes. Now, in response to the current difficult period of crisis, there is a risk that the Commission could also be tempted to over-promise.’
Nikolaos Milionis would not present the issue as an obvious case of opposition between the EU level and the Member States. ‘Yes, ambitious common goals have been agreed at EU level. And these ambitions have to be translated into concrete actions on the ground. This may be the most difficult part, since that is where you face conflicting objectives and vested interests most directly.’ As an illustration he refers to the ECA’s special report 18/2019 on greenhouse gas emissions. ‘In this special report on how the EU and Member States account for greenhouse gas emissions, we found that both at EU and national levels there were difficulties in defining the course of action for achieving the targets in some sectors, and that the assessment of the potential impacts on current policies and measures was often incomplete. On a more positive note, we also showed the progress achieved over time in enhancing the quality of the data on greenhouse gas emissions.’

Coming back to the gap assessments: for several policy areas, for example structural funds, the ECA has been critical regarding the limited use made of impact assessments (e.g. estimated use of airports or seaports), arguing that they were often not sufficiently used in the decision-making process. Impact assessments and scenario research also appear to be very relevant to a long-horizon policy, such as climate change action. How can their use be improved?

Iliana Ivanova underlines that both ex-ante and ex-post evaluations are very important for decision-making and gives a specific example: ‘In our briefing paper on delivering performance in cohesion policy we identify, as one of the key guiding principles, the use of evaluations at programme and policy level for decision-making. In that context, we found two main issues: first, sometimes ex-ante evaluations and impact assessments are not carried-out. And second: ex-post evaluations are not timely and, therefore, not used for decision-making.’

In addition, she considers the availability of data to be a key point in the context of evaluations, referring to ECA special report 16/2018 on the ex-post review of EU legislation: ‘Here we identified the unavailability of data as a major issue, hindering proper evidence-based review. We are considering whether we could look into this matter more closely in the years to come.’ Nikolaos Milionis agrees, relating the topic to the special report on greenhouse gas emissions he brought up earlier: ‘In this report we showed the necessity of better assessments of the impacts of current policies and measures, both ex ante - so when designing a measure, and ex post – when assessing if the intended results were achieved.’

**Assessing climate change action…also in the light of Covid-19 crisis measures**

With the current corona crisis there is an enormous ambition to boost the economy as soon as possible. Some say that such a quick return would conflict with the goals set in the European Green Deal. Will the ECA consider doing audits on how divergent EU policy goals can conflict with each other?

Nikolaos Milionis: ‘In our audit chamber we have seen the effects of the conflicting objectives of the Common Agricultural Policy [CAP], where there is often tension between the environmental goals and other economic and social aims. Our special report 21/2017 on the greening of the CAP showed that this new instrument was generally undemanding and was, in the end, mainly an income support mechanism.’ He adds that his audit chamber is currently carrying out an audit looking into the links between the CAP and climate objectives. Iliana Ivanova links her thoughts on this question to the current moves to tackle the economic and social crisis following the ongoing pandemic. ‘This is a constant work in progress, and we have been informed that the Commission is currently working on a number of initiatives that will support the recovery. It remains to be seen what these actions will be, and this will influence the audit topics to be selected for our work programme.’
According to the Auditor-General of Finland – as she expressed it during a conference last year - there are some key issues related to auditing SDGs, including climate action issues. She mentioned completeness, looking at policy coherence, looking for the truth and doing the right thing. How should we interpret the last issue and how can the auditor stay clear of being accused of becoming ‘political’?

Nikolaos Milionis underlines that, for the ECA as the external auditor, the policy objectives set by the legislator are the starting point. ‘Our role is to assess whether the policy objectives are achieved in an economic, efficient and effective way, to highlight potential areas for improvement and to issue recommendations. Independently, without a political agenda, we select audit topics, which we consider to be relevant to our citizens and their representatives, and publish audit reports which have an impact.’

Iliana Ivanova concurs, explaining that the ECA’s performance audits go beyond compliance with the rules, examining whether public money is spent to good effect. ‘While the boundary between performance and politics is not always easy to define, it is certainly one that, as auditors, we must not cross. We should avoid getting involved in political decision-making, and focus instead on analysing whether the money achieved the intended objectives in the most efficient and economic way.’ In this context she highlights the importance of having a European high-level strategy, to steer the individual policies: ‘Last year we criticised the Commission, in several of our products, for not putting forward a successor to the EU2020 strategy. We are still expecting the new Commission to do it.’

‘While the boundary between performance and politics is not always easy to define, it is certainly one that, as auditors, we must not cross.’
Auditing EU actions on climate change: what issues and challenges EU auditors faced?

By Phil Wynn Owen, former ECA Member

For several years in the EU, climate change has been high on the political agenda. Moreover, the EU budget finances several policies and programmes related to climate change. That means it is also a priority for the ECA’s performance auditors. Phil Wynn Owen was an ECA Member from January 2014 until January 2020. He was especially involved in auditing EU actions on climate change. Below he shares his thoughts on what issues and challenges EU auditors have faced in auditing EU actions on climate change.

Issues to tackle

Producing special reports on key EU issues such as climate change became a greater focus of ECA work from 2014, also in response to stakeholder pressure, especially from the European Parliament, and a critical peer review. One of the priorities of the Juncker Commission was combatting climate change. It posed challenges for all of the European economy, particularly in seeking to get every sector to reduce its use of energy based on fossil fuels.

Figure 1 – 2017 EU GHG emissions by source

So we produced, in 2017, a landscape review of EU action on energy and climate change, seeking to provide a clear, factual explanation of the issue and main challenges. We mapped where the ECA and national auditors had been more and less active, to help guide strategic selection of future audits.

Our work in this field required not just audit knowledge, involving examination of relevant strategy and policy formation and expenditures, but also access to, and understanding of, rapidly developing scientific expertise. Our audit teams naturally could not always include all such expertise, nor second-guess scientists. So we made use in our reports of highly-respected material, such as International Panel on Climate Change (IPCC) reports (see also page 13), capturing the work of scientists worldwide, and of expert advisors and panels, and literature reviews.
This led to a growing understanding that policymakers in the Commission and Member States faced constant issues in ensuring they had relevant and timely data, good modelling capacity, and the analytical skills to interpret that all correctly and to pursue the right policies. Some stakeholders questioned what auditors were doing examining risks for the future, as they held a traditional view that audit should examine what was spent in the past, or at least in the current spending period. But most stakeholders welcomed the ECA’s growing work in this field, recognizing that it was important that our work was relevant to the public, focusing on the EU’s attempts to mitigate and to adapt to such major risks.

It was vital to build a positive consensus about our independent work, with the Commission, with stakeholders, and with Members of the European Parliament. So the ECA’s simultaneous drive to improve its external communication was important to this priority audit field. As controversy inevitably arose in the climate agenda - perhaps originating from the control still exercised by each Member State over its energy supply mix, or, in recent years, the rapid growth of a strong, popular climate youth movement - we sought to engage through our audits with all relevant stakeholders, to balance evidence and to explain our audit work.

Many challenges

We also found technical challenges in performing our audits. The Landscape Review helped to identify areas where we might do more to audit EU actions, such as in adaptation to climate change. Adaptation addresses the impacts of climate change, whereas mitigation addresses the causes of climate change – accumulation of greenhouse gasses in the atmosphere. But EU action had prioritised mitigation more than adaptation, which meant there were fewer specific adaptation strategies, expenditures, laws and actions to audit. Or, conversely, initiatives might develop so rapidly in one specific area that an audit was unwelcome to the busy client, or it was difficult to finalise reliable data and facts, with which to conclude an audit.

Figure 2 - Main challenges identified in the 2017 Landscape Review of EU action on energy and climate change

We were also always aware that our primary auditee was the Commission. But the Commission could only be held accountable for its responsibilities. Sometimes there were agreed EU targets, but powers to act were limited at EU level, or still rested with Member States; or management was shared, or there were joint international commitments. In each case, we had to scope audits, conduct them, and draft recommendations very carefully.
Auditing EU actions on climate change: what issues and challenges EU auditors faced?

At times we were highlighting areas of future financial risks to EU and national expenditures, which were largely not yet reflected in somewhat inflexible EU budgets, nor yet shown as contingent liabilities in either EU or national accounts. As environmental and climate related public litigation cases grew - over aspects such as meeting air quality standards or Greenhouse Gas reduction commitments - questions arose over how this would be accounted for in future. Another issue was that political commitments to spend on climate action were not always matched by adequate plans, methodology, expenditure and actions.

A recurring challenge was that, while climate change may well be the major public policy challenge of this century, it rarely seems to be an immediate issue. Moreover, actions such as adaptation measures often require years of support and measurement to be evaluated. We nonetheless increasingly found, sadly, visible aspects of our changing climate, such as flash floods, droughts, desertification and forest fires, occurring in EU. This provided more evidence for, and more understanding of, our work.

Figure 3 – Predicted change in the aridity index in 2071-2100 compared to 1981-2010
An ever more important role for independent public audit

The issues identified for us in auditing EU actions to tackle climate change naturally mirror the huge problems and risks being confronted daily by those involved in such work, both in the Commission and in Member States. The EU has nonetheless been at the forefront of international climate commitments, and has often been seen as a major policy leader in climate policy action. So this is too vital an EU public policy priority for the ECA and national audit bodies not to be fully engaged in performance auditing. Public audits need to be making recommendations that prompt mutual learning about what works and that encourage rapid improvements where necessary.

Independent public audit has an ever more important role to play in our democracies, especially on key challenges such as climate change, sustainability and the environment. Public auditors should have a duty in public audit to examine commitments made, to highlight shortfalls and risks, and to communicate them to the public in an understandable way. If effective and efficient actions are not taken now, the impact on public budgets and citizens’ lives are likely to grow and have higher unforeseen costs in future.

My personal thanks to everyone who helped develop this important audit work in the ECA in recent years, and to the Commission and stakeholders who were usually so supportive. I wish them all every success with their vital work going forwards.
One of the three key focal points of the work of the new European Commission, which took office in November 2019, has been climate change action, encapsulated in the term European Green Deal. The Commission’s promise was to deliver such a deal within the first 100 days, and they did, already presenting more detailed proposals in mid-December 2019. This Green Deal touches on many issues covered by ECA audit reports on climate change in the past few years. Joanna Kokot, assistant to the Director of Chamber I, has worked on several audits related to climate change action. Below she analyses which thematic areas of the Green Deal have been covered by ECA audits and what key conclusions have been presented in the audit reports.

Before the European Green Deal

Under the 2015 Paris Agreement, the EU and its Member States committed themselves to making its finance flows consistent with climate goals. In 2016, by signing the 2030 Agenda for Sustainable Development, the EU and its Member States made a further commitment to implementing 17 Sustainable Development Goals (SDGs) including SDG 13 on taking urgent action to combat climate change and its impact.

Sustainability issues, including energy and climate change, are at the core of the ECA’s strategies and its work programmes. Particularly since 2014, the ECA has published numerous audit reports covering energy issues and climate change action.

The European Green Deal – for Europe to become the world’s first climate-neutral continent by 2050

The European Green Deal (EGD) is probably the biggest overhaul of EU policy since the foundation of the EU. The Commission plans to reassess nearly every major area of the European economy in light of the climate and ecological emergency. For example, from 2021 onwards it plans to devote at least 40% of the EU’s budget for its Common Agricultural Policy to tackling climate change.

In the Deal, the European Commission sets out 47 actions for 2020 and 2021, for Europe to become the world’s first climate-neutral continent by 2050. These actions are grouped by thematic area, as shown on the EGD infographic in Figure 1.
Many of the EGD objectives presented in the infographic above build on earlier EU policies and programmes related to climate & energy, agriculture and environment policies. As the Union’s external auditor, we audit spending programmes that support these policies. Below you will find the key ECA reports and reviews – either published or soon to be published - that tie into the EGD and its climate ambitions, presented per EGD objective. However, this is not an exhaustive overview; the policy fields covered by the EGD are vast

**EGD objective of increasing EU’s climate ambition for 2030 and 2050**

The EGD lays out an EU plan for tackling climate change. The current targets, to be reached by 2030, are to cut at least 40% of greenhouse gas emissions compared to 1990 levels. As part of the Green Deal, the Commission aims to propose raising this target to at least 50% and towards 55%. Other targets are a share of at least 32% renewables in final energy consumption and at least a 32.5% improvement in energy savings. That is by 2030, so ten years from now.

In our [2017 landscape review on EU action on energy and climate change](#), we provided an overview of EU action on climate change and summarised key audit work by the ECA and the EU national audit institutions in this field up to 2017. In this overview, we also identified the main challenges deriving from climate change, in order to both inform the legislative debate and future audit work.

In 2019, we published two reports on the use of environmental and climate data, namely:

- [special report 16/2019 on European Environmental Accounts](#) that concluded that the usefulness of accounts for policymakers could clearly be improved; and

- [special report 18/2019 on Greenhouse Gas Emissions (GHG)](#) in which we concluded that EU emission data are appropriately reported, but that better insight into future greenhouse gas emission reductions was needed, also since the long-term sectoral roadmaps covered 70% of the emissions reported, with no specific roadmaps available for key sectors, such as agriculture. For further details on this topic, see page 57.

Many EGD objectives tie into this overall EGD climate ambition, and, consequently, so do the ECA audits related to these EGD objectives, as described below.
EGD objective of suppling clean, affordable and secure energy

The production and use of energy accounts for more than 75% of the EU’s greenhouse gas emissions. The EU Emission Trading System (ETS) (see also page 178) is the cornerstone of the EU’s climate policy and is often quoted as a model for emerging climate change policy in the world. In our special report 6/2015 on the integrity and implementation of the EU ETS, we found significant weaknesses in ETS implementation and problems with the robustness of the framework for protecting market integrity. In the first half of 2020, we plan to publish a report on the EU ETS, focusing on the provision and allocation of free allowances.

Using more energy from renewable sources is crucial to reducing the EU’s greenhouse gas emissions and its dependence on fossil fuels and imported energy, and thus to contributing to the security of its energy supply. Moreover, renewable energy can play an important role as a driver of sustainable development in rural areas. In 2018, we published a report on renewable energy for sustainable rural development (special report 05/2018). In this report, we concluded that there were significant potential synergies between renewable energy policy and funds designated to facilitating sustainable development, but that these synergies remained mostly unachieved.

Also in 2018, we published a report on demonstrating carbon capture and storage, and innovative renewables at commercial scale (special report 24/2018), in which we concluded that the progress intended had not been achieved in the past decade. In this report, we said that the European Energy Programme for Recovery (EEPR) contributed positively to the development of the offshore wind sector. The NER300 programme, however, did not achieve the progress intended in supporting the demonstration of a wider range of innovative renewable energy technologies.

In recent years, electricity generation from wind and solar photovoltaic power has seen impressive growth. In 2019, we published a report on wind and solar power for electricity generation (special report no 08/2019) saying that significant action was needed if EU targets were to be met.

EGD objective of mobilising industry for a clean and circular economy

On 11 March 2020, the Commission published its New Circular Economy Action Plan, announced in the EGD. The aim of the plan is to facilitate the EU’s transition to a circular economy, to achieve the 2050 net-zero emissions target.

We are currently finalising work on a review on plastic waste - scheduled to be published in the second half of 2020 - in the context of the circular economy and plan to start an audit on E-waste in 2020.

EGD objective of building and renovating in an energy and resource efficient way

In 2019, we worked extensively on energy efficiency topics. We carried out an audit on energy efficiency in buildings, which was published in April 2020 (special report 11/2020), focusing on the cost-effectiveness of such measures. The main conclusion was that cost-effectiveness is not a determining factor for allocating public funding to energy efficiency measures in residential buildings. Despite improved guidance from the European Commission, EU-funded projects still do not focus on achieving the greatest potential energy savings per euro invested. We have also recently started an audit on energy efficiency in industry.

In January 2020, we published a report on EU action on Eco-design and Energy labelling (special report 01/2020), concluding that, overall, such action and labelling have contributed to greater energy efficiency but that the impact of the policy risks being overestimated and that there are concerns about non-compliance by manufacturers and retailers (see for further details page 53).
EGD objective of zero pollution ambition for a toxic free environment

- The EGD aims to achieve a pollution-free environment in the EU by 2050. In our report on air pollution (special report 23/2018), we concluded that our health was insufficiently protected. We identified a number of challenges linked to the pollution-free air ambition: 20-year-old standards, weak monitoring and the need to increase public awareness are among the key ones. See also page 85.

- In our report on EU action on pesticides (special report 05/2020), we concluded that actions had been taken at EU level to promote the sustainable use of pesticides but there had been limited progress in measuring and reducing the associated risks.

- In 2020, we launched an audit on making the polluter pay. This audit aims to assess whether the EU framework ensures that the polluter pays principle is applied in practice in the EU.

EGD objective of preserving and restoring ecosystems & biodiversity

It is now widely recognized that climate change and biodiversity are interconnected and that conserving and sustainably managing biodiversity is critical to addressing climate change. In 2019, we launched three performance audits on biodiversity:

one related to farmland to assess whether the EU’s common agriculture policy has contributed to maintaining and enhancing biodiversity on EU farmland (we published an audit preview for this audit in May 2019 announcing it and providing information about its scope);

another audit on EU action to protect wild pollinators to assess whether the results achieved so far, particularly in the common agricultural policy, are in line with the actions announced, and whether measurable targets and good indicators have been established to allow for proper tracking; and

a third audit on protection of the marine environment, to assess whether the EU has successfully preserved 10% of its marine waters through protected areas or other conservation measures, as required by the Aichi Biodiversity targets to which the EU agreed by signing the Biodiversity Convention.

In addition, in 2020, we launched an audit on EU forestry to assess whether EU action for EU forests has promoted biodiversity and tackled climate change.

Climate change is an aggravating factor for floods in the EU, triggering changes in precipitation and weather patterns, sea level rises and, consequently, more frequent and severe floods. In the report on the Flood Directive (special report 25/2018), we found that the implementation of flood prevention measures suffered from weaknesses in allocating funding and that major future challenges remained concerning the need for much fuller integration of climate change, flood insurance and spatial planning into flood risk management. In our report on combating desertification in the EU (special report 33/2018), we concluded that it was a growing threat in need of more action.

EGD objective of ‘Farm to fork’ strategy - greening the Common Agriculture Policy (CAP)

Agriculture and climate change are closely interlinked. Green House Gas emissions caused by agriculture account for 15% of all EU GHG emissions. In the EU, the majority of the actions aimed at mitigating GHG emissions in agriculture are implemented under the Common Agricultural Policy (CAP). The EGD speaks about the examination of Member States’ draft CAP strategic plans with reference to the Green Deal’s objectives and announces the Farm to Fork strategy, that is aimed at reducing the use and risk of pesticides, fertilisers and antibiotics.

1 Convention on Biological Diversity, signed by 150 government leaders at the 1992 Rio Earth Summit. For further information, see: Website on the Convention on Biological Diversity (Biodiversity Convention)
In 2019, we published three audit reports relevant to the EGD Farm to Fork strategy announcements, namely the reports on:

- **food safety (special report 02/2019)** concluding that as regards the chemical hazards in our food, the EU food safety policy protects us but faces challenges;
- **organic food (special report 04/2019)** stating that the control system for organic products had improved, but some challenges remained; and **Antimicrobial Resistance (AMR) (special report 21/2019)** noting progress in addressing the AMR in the animal sector, but sounding an alert that this health threat remains a challenge for the EU.

In April 2020, we launched two audits on climate change and the CAP. One assessing whether the EU’s actions have meaningfully reduced the GHG emissions from agriculture, and the second one examining whether EU actions in agriculture promoted sustainable use of water. In January 2020, we published a report on **new technologies in agri-monitoring** (special report 04/2020). Here we reported that significant changes to paying agencies’ procedures and IT systems are required and we identified several ongoing obstacles to the more widespread use of these new technologies.

Three years ago, we published an audit report criticising **CAP greening (special report 21/2017)**. This report stated that greening was a more complex income support scheme, and not yet environmentally effective. We have recently started an audit on climate change and agriculture, aimed at assessing whether EU actions have meaningfully reduced GHG emissions from agriculture.

**EGD objective of accelerating the shift to sustainable and smart mobility**

Transport is one of the biggest sources of air pollution. In 2018, we published a landscape review – **Towards a successful transport sector in the EU: challenges to be address** - describing and analysing what the EU does in the field of transport. This document presented a horizontal review of the key challenges faced by the development and financing of transport in the EU.

Population growth, urbanisation and growing use of private cars in the EU contribute to traffic congestion in the cities and pollution, which raise considerable environmental and health concerns. We have recently published a **report on urban mobility in the EU (special report 06/2020)** concluding that there was no clear trend towards more sustainable modes of transport in the EU cities.

The EGD says that, by 2025, about 1 million public recharging and refuelling stations will be needed for the 13 million zero- and low- emission vehicles expected on European roads. We have recently started an audit on electrical recharging infrastructure, assessing EU support for recharging infrastructure for electric vehicles.

**Financing the transition – our audits on tracking climate spending**

In our 2016 audit on **spending at least 1 euro in every 5 from the EU budget on climate action (special report 31/2016)**, we sought to determine whether the target of spending at least 20 % of the EU budget on climate-related action was likely to be met. This audit flagged a serious risk of failing short of meeting the 20 % target without more effort to tackle climate change.
In 2018, in line with the Paris Agreement and the commitment to the UN Sustainable Development Goals, the Commission proposed setting a more ambitious goal for climate mainstreaming across all EU programmes, with a target of 25% of EU expenditure contributing to climate objectives. The Finnish Presidency of the Council asked us to look at the Commission’s methodology to track climate spending in the EU Budget. We will examine how the Commission measures the commitment of spending at least 1 euro in 4 from the EU budget on climate action.

The proposed Investment Plan accompanying the EGD relies on five sources of funding: the EU budget, InvestEU, national co-financing, EU Emissions Trading System funds and the Just Transition Mechanism.

At the beginning of this year, we launched an audit on sustainable finance to assess the effectiveness of the Commission’s contribution to mobilising private sustainable finance for climate action.

**Lessons that need to be taken on board**

While the European Green Deal is new as a proposal, the instruments it uses and programmes it builds on, are not. In the upcoming years, as the EU’s external auditor, the ECA will undoubtedly audit and review many issues associated with the newly proposed Green Deal. However, some lessons can already be learned now and taken into account when discussing the multiple elements that form the basis of the Green Deal, and should be taken on board by the Commission, but also by the many other stakeholders, both at EU and national level. In the end, it is within the Member States and regions of Europe that the EU’s climate change actions are put into practice and deliver results.

If there is one general theme prevalent in our reports, it is the contrast between policy ambitions and slow and cumbersome accomplishment of these ambitions. Our audit reports on climate change contain multiple findings and common sense recommendations, presented to EU and national policy makers. With these recommendations, we want to contribute to the Green Deal ambition to make Europe a climate neutral continent within the next 30 years.
Energy labelling and ecodesign – how the EU’s internal market rules bring good results for climate and consumers alike

By Frédéric Soblet, Sustainable Use of Natural Resources Directorate

Have you ever thought that your energy bill is higher than it should be, given that all your appliances are rated A+++? Has your washing machine broken down just out of warranty and it is cheaper to buy a new one rather than to fix it? Have you had your smartphone run out of battery and asked around your colleagues for a charger, only to find out that none of the chargers provided are compatible? All these aspects of our daily lives are (or will soon be) covered by the EU’s internal market rules on ecodesign and energy labelling. In January 2020, the ECA published a special report on this policy. Frédéric Soblet, head of task for this audit, knows the ins and outs of the policy and the audit findings. He explains why energy labels and ecodesign can be a win-win for the climate and for your wallet.

Tackling climate change with better appliances

Using better appliances not only helps us save money, but also helps save the environment—and that is why the EU is acting on this. Energy labels and ecodesign can help us mitigate climate change by reducing the energy consumption of everyday appliances. The policy, in place since the nineties, is a major contributor to the EU’s 2020 energy efficiency target (see Box 1), along with better building insulation, and more energy-efficient transport and industrial sectors.

Ecodesign and energy labels go hand in hand. Energy labels are the most visible side of the policy: they work by providing information to consumers on the products’

Box 1- the EU 2020 target

The EU 2020 target on energy efficiency calls for a ‘20% increase in energy efficiency by 2020.’ The 20% in this target can be misleading. It does not mean we should consume 20% less energy by 2020 compared to a reference year, but rather that we should consume 20% less compared to what we projected we would by 2020.

The latest data from Eurostat, published in February 2020, shows that the target is unlikely to be met. In 2018, primary energy consumption was still 4.9% above the efficiency target for 2020. At the same time, a new target has been set for 2030, calling for a reduction of energy consumption of at least 32.5% (compared to projections) – this will be a significant challenge considering the rate of progress needed to achieve it.
energy consumption and performance, and help them make informed decisions. Ecodesign, in contrast, is mostly invisible to consumers, yet it has a significant impact: the policy sets mandatory minimum energy efficiency and environmental requirements for energy-related household and industrial products. In other words, the worst performing products cannot be sold in the EU. Ecodesign requirements can mandate that appliances are designed in a way that they are more durable and easier to repair or recycle. Today, there are ecodesign and energy labelling requirements for almost all the household appliances with the largest energy consumption: from space and water heating, to TVs, fridges and lighting products.

**Figure 1 - Composition of energy consumption in EU households (2017 figures)**

![Energy consumption in EU households graph](https://ec.europa.eu/eurostat)

We decided to undertake this audit as the energy efficiency policy is a concrete and consumer-friendly way to tackle climate change and EU citizens can, through their purchasing choices, contribute to its success. Energy labels on appliances are very well known to consumers: 85% of Europeans recognise and use labels when making a purchase.

The policy is evolving and is increasingly contributing to fostering a more circular economy, by expanding its scope from energy efficiency to durability, recyclability, and the right to repair. We wanted to know more about the system put in place to ensure that the information on the energy labels was accurate and could be trusted. We also wanted to find out whether the policy actually made a difference.

**Regulatory delays reduce the effectiveness of the policy**

One of the main findings of our audit, presented in special report 1/2020, on EU action on ecodesign and energy labelling is that the regulatory process was too lengthy, and that it was damaging the effectiveness of the policy. For the three product groups we analysed in detail (heaters, TVs, and refrigerators), it took 6 to 8 years to adopt ecodesign requirements and new energy labels, twice as long as the target. In this policy, long delays matter. Ecodesign requirements must be updated regularly, otherwise they no longer keep up with technological progress and they lose their benefit. Outdated energy labels do not help consumers differentiate between the ‘good’ and the ‘bad’ products. Finally, a slow regulatory process means that it is hard to regulate fast-moving technology, such as ICT products, effectively.

Regulatory delays are partly explained by the technical complexity of the regulations and the need for extensive stakeholder consultation. However, we found that some delays were avoidable. One source of delays was the repetition of some steps, due to the inadequate scope of the preparatory work. Another one was the decision by the Commission to adopt measures as a package, covering multiple product groups, rather than when they are ready. The reason for this ‘package approach’ is that the European Commission wants to be able to communicate on the aggregate impact of multiple product groups to demonstrate that the policy delivers a significant impact. We recommended putting an end to this approach, which is not suitable for this policy.
There is only so much policy-makers can do

Setting ecodesign requirements to make products more energy-efficient, durable and recyclable is a laudable objective, but there is only so much policy-makers can do to push the technology forward. A legislator cannot simply require a technological leap that is not realistic or would be prohibitively expensive. At the end of the day, consumers are responsible for their choices, as long as they are adequately informed.

Energy labels empower consumers to make better-informed decisions. It does not mean that they will make the ‘right’ one. We acknowledged that the Commission had taken steps to make the energy labels clearer to consumers, for example by phasing out the confusing ‘A+, A++ and A+++’ classes. Nonetheless, energy consumption is only one of the many criteria on which consumers base their purchasing decisions. A better energy rating will surely translate into lower operating costs during the life of the product, but this may not be enough to sway consumers.

In energy policy, energy efficiency gains are often offset due to a phenomenon called the ‘rebound effect’. This effect has been studied since 1865, when it was observed that a more efficient steam engine led - somewhat counterintuitively - to an increase in demand for coal. The extent of the effect is hard to anticipate but the idea is that lower energy consumption means that using a product will be cheaper, therefore people will use it - or buy it - more. For example, although new TVs are remarkably more efficient nowadays than older CRT (Cathode Ray Tube) models, the total viewing area of televisions and PC monitors is expected to more than double between 2015 and 2030 because of consumer demand. For fridges, energy efficiency has improved by 60% since the 1990s – a great success story for this policy – but consumer demand for freezing and cooling is projected to increase by 27% between 2015 and 2030. In both examples, we see that energy efficiency gains are partially offset by increasing demand for more, and bigger, products.

Measuring the impact of the policy using harmonised standards

The Commission regularly communicates the results of its ecodesign and energy labelling policy to the public. We wanted to know whether the methodology used to estimate the impact was sound, so we looked under the hood. A scope limitation of our audit is that we did not have the resources to provide our own figures. In short, the latest Commission report estimates that the policy will bring, by 2020:

• 150 mega tonne oil equivalent of energy saved (9% of EU total);
• 306 mega tonne CO₂ equivalent less greenhouse gases emissions (7% of EU total);
• €63 billion net saving for consumers; and
• €66 billion in extra revenue for industry, sellers, and installers.

We concluded that the methodology used was overestimating the impact of the policy. For example, the methodology is based on the assumption that the regulation will be fully complied with and that there are no shortcomings in market surveillance, which we believe is not accurate. Secondly, the methodology is based on relevant ‘harmonised standards’ rather than real-life consumption data. These standards are not always representative of actual energy-consumption under real-life conditions (see Box 2).

While acknowledging that the Commission had taken steps to improve the methodology, we recommended that it should take into account the impact of non-compliance and implementation delays, as well as deviations between energy consumption based on harmonised standards and real-life usage. We also recommended that using a sample-based methodology to measure actual energy consumption by end users could help improve the accuracy of the model.

Effective market surveillance is indispensable for public trust

The dieselgate scandal showed us the need for effective market surveillance. Suppliers of products sold in the EU are responsible for ensuring that their products comply with all relevant regulations, which is signalled by the ‘CE’ marking on the product. The
marking does not prove that a third party or the authorities have tested the product independently. Manufacturers are also responsible for ensuring that the energy label they provide to sellers is accurate. Member States are responsible for market surveillance on their territory. To ensure compliance of products sold in their country, they must perform appropriate checks on an adequate scale.

Based on the data available, we found that non-compliance by manufacturers and retailers remains a significant issue. Relatively few product models were tested in laboratories (ranging from none to a few dozen a year, depending on the country) and the Member States we visited did not use results from other Member States to implement enforcement measures. As a result, consumers across the EU do not have equal protection. The Commission is providing tools and funding to market surveillance authorities so they can build their capacity to conduct cost-effective surveillance and cooperate better, but it is not clear that this has led to sustainable changes in the way market surveillance is performed. An effective market surveillance will benefit consumers, the environment, and – also relevant from an internal market perspective – ensure fair competition between manufacturers.

**Box 2 - Testing standards**

A 2017 study by the CLASP, ECOS, EEB, and Topten, explored the shortcomings of the European harmonised standards used for testing three product groups: washing machines, televisions, and fridges. It concluded that testing conditions prescribed by the standards differed from real-life use, thus underestimating real-life consumption. For example:

- dishwashers are tested on the most efficient Eco programme, but this programme is used infrequently (18 % of the time);
- televisions are tested with a video clip from 2007 that does not reflect typical home viewing; and
- fridge-freezers are tested without opening the doors and with no food inside.

Based on a small sample of products, the study estimated that dishwashers could consume 6 % to 73 % more energy when used with different programmes, TVs tested with a different video sequence consumed from 6% less to 47 % more energy, refrigerators consumed up to 47 % more energy with door opening every 12 hours.

The report also demonstrated that manufacturers could exploit loopholes in the standards or use circumvention techniques (such as a ‘cheating devices’ to detect that a test is taking place) to obtain better ratings or falsely claim compliance with ecodesign requirements.

**The way forward**

In our report, we concluded that EU actions contributed effectively towards the objectives of the ecodesign and energy labelling policy, thus recognizing the important impact of the Commission’s work. We made recommendations to improve the ways results are measured, reduce regulatory delays, and improve market surveillance to improve compliance, in which Member States have to play their role.

The ecodesign and energy labelling policy has had a lasting impact in the way everyday appliances are built. Looking forward, on top of the energy savings, the policy has the potential to radically improve products’ durability, reparability, and recyclability and thereby play a role in the four ‘Rs’ envisaged to contribute to a better climate – reduce, repair, reuse and recycle. This will benefit consumers and the environment alike and there is obvious potential for the policy to play a major role in fostering a more circular economy.
EU greenhouse gas emissions: ambitions, monitoring and insights into future reductions

By Oana Dumitrescu, Sustainable Use of Natural Resources Directorate

One of the key elements of the Kyoto protocol (1997) and the Paris Agreement (2015) is the commitment to reduce greenhouse gas emissions. The EU, together with Member States, is party to both agreements, aimed at substantial reductions by 2020, by 2030, and by 2050. With the European Green Deal, the European Commission’s ambition is to reach climate neutrality, so net zero emissions, by 2050. This means that we would need to remove or offset any emissions that we cannot avoid. In view of this ambitious goal, the question of whether the EU is on track becomes even more relevant. In November 2019 the ECA published its special report 18/2019, assessing the Commission’s and the European Environment Agency’s work on ensuring the quality of the EU greenhouse gas inventory and of the information on future emission reductions. Oana Dumitrescu, head of task for this audit, provides some details on how she got into the subject matter, some key challenges, both for those responsible at the Commission for meeting these commitments and auditors reviewing their work, and the auditors’ main conclusions.

Getting started on greenhouse gas emissions

For me the story relating to the audit of greenhouse gas emissions (GGE) (see special report 18/2019) started in early 2018. When I received this assignment, I was still working on another task. At first, I was surprised and quite anxious, as I had no specific knowledge relating to greenhouse gas emissions and it was my first assignment, as head of task, to lead an audit team. Quite a challenge! But I was grateful for this assignment. I have always been interested in climate change and I wanted to do my share, contributing to a better world.

So I needed to learn a lot in a short time, reading the information already collected and inquiring into other sources of information, I also enrolled in a training course on climate science and policy to understand the issues underlying climate change mitigation. And there were some surprising insights. For example, the role of forests in storing carbon: it is not as pronounced as I previously thought. In fact, even if we actively plant trees to remove emissions from the air, a forest fire – the same type that makes headlines every summer in Europe – can reverse the process quite rapidly. Secondly, the quantities stored are not as high as I imagined. Actually, the natural carbon cycle means that forests store and release approximately the same quantity of carbon over time.

This training course also focused on policy-making. Among the new perspectives gained, the most useful for the audit was scenario development and its role in drawing up good climate mitigation policies. I also received confirmation of what I instinctively thought: it is difficult to match environmental with economic and social challenges without an integrated, long-term approach, to satisfy at least in part all needs. We all need to eat, work, travel, but also to keep our environment in a good state. We need to find the right balance. Through this course I received a lot of interesting information that is still relevant to my work today.

I encourage all auditors, especially those auditing natural resources, to train for everything concerning energy, natural capital, climate and environment. I think a lot will still happen in this respect and we need to be prepared to audit, by acquiring an adequate level of knowledge.

Reliability of EU emission data

Returning to our audit on greenhouse gas emissions, the European Commission and the European Environment Agency had a well-defined role in collecting and checking data.
While Member States are primarily responsible for the quality of the emissions data, the Commission and the European Environment Agency make additional quality reviews of the data. This is needed to have a robust basis for assessing EU and Member States’ progress in reducing emissions.

It was relatively easy to design this part of the audit, following their responsibilities. The challenging part was analysing the huge amount of EU emissions data in spreadsheets. Another challenge was to understand the checks made by the EU experts, assess their completeness, their conclusions and recommendations.

Our analysis showed that these checks were sufficiently reliable and that national authorities corrected errors before submitting the final data. This gave us the confidence to say that although not perfect, the data submitted on greenhouse gas emissions is quite complete and reliable. In fact, we concluded that the EU reports most of its greenhouse gas emissions and includes them in EU’s emissions reduction targets. Quite an important finding. For example, when looking at the 2020 targets, only about 3% of total EU emissions are not included (e.g. emissions from international shipping, see Figure 1). Moreover, the Commission is currently working to collect better data on these emissions and preparing for their inclusion in the targets.

**Figure 1- Emissions inside and outside the EU 2020 targets**

![Figure 1](image)

LULUCF stands for Land use, land use change and forestry

**Assessing preparedness for future emission reductions**

Besides the emissions, we thought that it was relevant to assess what makes the EU prepared for the mitigation challenge. We intend to achieve climate neutrality by 2050. But how do we do that? Can we estimate what our emission levels will be, and their trend? Do we know with relative certainty if the actions we take today will be sufficient in the long term? Are we planning well for reducing emissions substantially by 2050?

We decided to include in our audit an assessment of the Commission’s work on developing and using insight into future emission reductions and taking appropriate action to mitigate climate change. We audited the Commission’s work to verify and draw up projections of future emissions, to analyse the data underlying proposals for mitigation policies and for evaluating these policies’ impacts.
Assessing the EU’s preparedness for the future was not easy, but all the questions raised during my training became relevant. A quick analysis of pre-2019 Member States’ projections, or scenarios (in Figure 2 in green and grey), showed that the EU was unlikely to meet the 2030 targets and was on a trajectory to miss by a long way the 2050 climate neutrality targets. The same figure indicates that the more we postpone reducing EU emissions, the more effort we will need to make to achieve the long-term goals. If the 2030 projections materialise, we will need to reduce emissions more steeply by 2050 than would be the case if we met the 40% reduction goal in 2030.

Of course, to see if the projections have a chance of materialising, there is also the issue of the quality and reliability of Member States’ projections. Also in this regard, the Commission and the European Environment Agency have an important quality assurance role. We therefore assessed whether their quality checks were good. Despite the fact that Member States use different modelling tools and assumptions to draw up the projections, the quality of their projections seems to have improved over time. Based on the sample examined, we noted for example that fewer global corrections were necessary over time. However, we also saw that Member States hardly reported the impacts of national policies on future emissions and it is unclear to what extent these impacts are taken into account in their projections. This is important because projections and policies and measures are interdependent, as shown in Figure 3.
Considering possible future scenarios

At the time of the audit, the Commission had already proposed additional EU policies to enhance emission reductions. The Commission based these new policies on certain assumptions underlying the 2016 EU reference scenario. The central assumption was that the EU would achieve the 40% emission reduction target in 2030. Other assumptions related to context factors, such as economic and social factors, transport, energy systems, energy prices etc.

These assumptions were well documented and had also been discussed with the Member States. However, in our view the Commission had not analysed the risk of significant deviations from these assumptions. In other words: what happens if the expected impact of the EU policies is lower due to external factors, and they are not sufficient to achieve the 40% reduction? What happens if the policies are sufficient but Member States do not implement them fully? What happens if the energy market or the transport models change dramatically in the next ten years?

In climate policy, there is a need for stable and long-term strategies and roadmaps. This is also recognised in the recent Regulation 1999/2018 on the Governance of the Energy Union and Climate Action. We already know that we have long-term targets and the EU is striving to achieve climate neutrality by 2050. Nevertheless, how do we arrive there? We therefore looked at the time horizon of the Commission’s approach to climate change mitigation. We also analysed whether the Commission had prepared a sectoral approach to achieve and even to maximise the contribution of all sectors to the long-term targets.

Not long after we had started our audit in 2018, the Commission updated its climate strategy for 2050 and published this update in December 2018. The supporting study detailed what the contribution of all sectors and sub-sectors could be in this timeframe. Before this update, the Commission also developed long-term roadmaps and specific strategies for transport and energy. In 2020, the Commission published a new industrial strategy. These specific plans cover most of the emissions.
We noted, however, that the Commission did not have detailed plans on how to maximise the contribution of agriculture and forestry (land use, land use change and forestry, or LULUCF) to emission reduction targets. Why are these important? Firstly, agriculture and LULUCF contribute to total emissions by 10% and 6% respectively. Secondly, we spend more than 40% of the EU budget on agriculture, including forest management measures. Finally, we want to streamline climate spending under all policies, including agriculture. How can we ensure that the money allocated to the EU Common Agricultural Policy has a real and positive climate impact? How do we drive the systemic change that will reduce emissions if we do not plan our investments carefully and with a long-term vision in mind? We considered that this long-term vision was missing. We did not analyse the streaming of climate finance into agricultural spending, as this is part of another – currently ongoing - audit.

Constructive approach to delivering even unpleasant messages

To summarise our findings: the Commission and the European Environment Agency have an important role in ensuring the quality of EU reports on emissions and on projections of future emissions. Both these data sets meet international reporting standards and continue to improve. Regarding the insight into future emission reductions, we concluded that the Commission’s approach to the long-term targets was adequate and that the Commission’s long-term sectoral roadmaps covered almost 70% of the emissions reported, with the exception of agriculture and LULUCF. From 2020 onwards, the Commission will include LULUCF in the 2030 EU emission reduction targets and it should gradually include shipping emissions in the EU targets. The Commission should also provide greater insight into the carbon impact of some key EU policies.

Some of the issues we found were controversial in our discussions with the Commission. The main challenges were the subsidiarity principle, when driving long-term plans and the administrative burden of improving the data needed for future emission reductions. Nevertheless, I believe that we succeeded in making recommendations to the Commission which are helpful and cost-effective. The report was widely covered by the media and we received positive feedback on our report through our user survey. Officials in the Member States appreciate the EU quality checks, as they help the experts improve their methodologies. As a head of task I was particularly happy that we could make a forward looking contribution in this area with this audit. And also contribute to other audits on climate change mitigation that we are currently doing or plan to do in the near future.
Sustainable finance, climate change and the ‘tragedy of horizons’

By Katharina Bryan, private office of Eva Lindström, ECA Member

Achieving the Paris Climate Goals and the Sustainable Development Goals requires a massive reorientation of financial flows. ‘Sustainable finance’ is one of the main tools for achieving this - now more than ever: the International Monetary Fund (IMF) has put ‘greening the financial system’ and prioritising green investment among its three top priorities. For sure, the terms ‘sustainable’ or ‘green finance’ make for nice, ‘green’ advertising for banks and investment funds. But what is really behind this buzzword? And what impact will the Covid-19 induced crisis have? Katharina Bryan, Head of ECA Member Eva Lindström’s private office, explains what sustainable financing is, why it is crucial to combating climate change and what the ECA is doing on the topic.

Sustainable finance is crucial to reaching climate objectives

Global warming is increasing at an alarming rate. The decrease in emissions due to reduced economic activity because of Covid-19 is not going to make a difference to this fact. We might witness the largest ever fall in CO2 emissions in 2020, according to the International Energy Agency (IEA), but we would need to see this fall every year this decade to limit the temperature increase to 1.5°C above pre-industrial levels – the Paris Agreement’s objective. Overall, according to the International Panel on Climate Change (IPCC) – see also page 13 - emissions would need to be reduced by 45% from 2010 levels by 2030, and reach net zero emissions by 2050 to fulfil the Paris Agreement.

Achieving this requires an enormous effort. It requires a reallocation of capital and represents an immense investment challenge for the public and the private sector. At EU level, to reach its current 2030 targets of a reduction of at least 40%, the EU must reduce Greenhouse Gas emissions (GGE) by at least 1.4% per year, i.e. 70% faster than efforts made so far. This would already require additional investments of approximately €260 billion a year by 2030. That is over eight times more than estimated spending on climate-change mitigation and adaptation under the current EU budget (see Box 1). With the increase of the 40% reduction target to achieve the Paris Agreement, the €260 billion a year figure will need to be revised upwards.¹

Clearly, money from the public purse is not going to be sufficient for the transition to a carbon-neutral economy and private and institutional capital will need to be mobilised and reoriented. ‘Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development’ has therefore been recognised as a key objective in the Paris Agreement (see Article 2c) and ‘Sustainable finance’ was to be one of the priorities for this year’s climate conference COP 26, postponed due to Covid-19.² So what exactly is sustainable finance?

Box 1-EU budget spending on climate change mitigation and adaptation

The European Commission estimates that over the whole 2014-2020 period a total of €209 billion has been spent from the EU budget (20% of the EU budget) to mitigate and adapt to climate change. We have previously reported on overestimates in this figure. See special report 31/2016: Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short and highlighted unrealistic estimates for the next financial period 2021-2027. For that aspect, see also the ECA opinion 7/2018 concerning the Commission’s proposals for the Common Agricultural Policy for the post 2020 period.

Is sustainable finance really about finance and sustainability?

Sustainable finance is one of those concepts with a myriad of definitions and it is worth investigating what it really means. You might discover that it is not really about whether the finance, ‘the money’, comes from sustainable or green business in the first place, but about putting it into ‘sustainable’ or ‘green’ investments. Nor is it clear what ‘sustainable’ or ‘green’ means. To confuse things even more, the term ‘climate finance’ can refer to something else, namely when developed countries provide financing/support to developing countries to help them reduce emissions or adapt to climate change. This usage of the term “climate finance” is often applied in international climate change negotiations. For example, the Paris Agreement set a USD100 billion a year target by 2020 for such ‘climate finance’.

Over time, several and overlapping definitions of sustainable and/or green have developed. From ‘Socially Responsible Investment’ to integrating ESG (Environmental, Social and Governance) criteria into investment decisions, from ‘Green financing’ focusing on energy transition and combat of climate change to social or ‘impact’ investments which aim to reach certain social goals such as combating social exclusion.

In addition, several labels and designations co-exist. The lack of one standard on how to define sustainable and/or green is one of the problems the EU is trying to tackle. It has developed criteria – a ‘taxonomy’ - (see page 135) to define when an economic activity is environmentally sustainable. This is the case when such activity contributes substantially to at least one of six environmental objectives (climate change mitigation; climate change adaptation; sustainable use and protection of water; circular economy, waste prevention and recycling; pollution prevention and control; protection of healthy ecosystems) and does no significant harm to the others, while taking into account minimum social safeguards.

In addition to integrating specific angles or criteria in investment decisions, sustainable finance can be about additional layers to be considered - see definitions in Figure 1 below.

Figure 1 - Three definitions of sustainable finance

In its broadest definition, sustainable finance is about reorienting the financial system. Already in 2017, as part of its Mid-term Review of the Capital Markets Union, the European Commission wrote that ‘a deep re-engineering of the financial system is necessary for investments to become more sustainable and for the system to promote truly sustainable development from an economic, social and environmental perspective.’
There is at least one more dimension of sustainable finance: it deals with the preparedness and stability of the financial system itself. For example, climate change already affects the insurance industry: insured losses from natural disasters in 2018 were USD80 billion, double the inflation-adjusted average for the past 30 years. The impact of climate change, the shift in policy and new technology, is already prompting the reassessment of the value of financial assets (‘stranded assets’). This is why central banks and national supervisors have become involved at European and international level, with a specific focus on micro-prudential/supervisory issues, macro-prudential matters and activities to scale up green finance.

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board, issued a set of recommendations for corporate and financial institutions to assess and disclose climate-related risks and opportunities (TCFD 2017). The European Securities and Markets Authority (ESMA) has recently published its strategy on sustainable finance. The Eurosystem, consisting of the European Central Bank and the national central banks, is reviewing the extent to which climate-related risks are understood and priced by the market and is paying close attention to how credit-rating agencies incorporate such risks into their assessments of creditworthiness.

The tragedy of the horizons: why regulation is necessary

Although financial actors are increasingly taking sustainability considerations on board, the shift to sustainable finance is not happening, or happening quickly enough, for the urgency of climate change. This is because of the ‘Tragedy of Horizons’, the term coined by former Governor of the Bank of England, Mark Carney:

The persistence of external environmental and social costs that are not reflected in market prices and valuations means that sustainability is often not considered to be material now. This is the Tragedy of the Horizon. The catastrophic effects of climate change will be felt well beyond the traditional horizons of most actors—imposing a cost on future generations that the current generation has little direct incentive to fix.

Sustainable finance aims to bring this horizon into the cycle of decision makers, for example, by increasing consideration of climate risks by financial markets and actors, increasing disclosure of the environmental impact of economic activities, defining sustainable investments in order to channel funds, or introducing shadow carbon prices to compensate for the lack of a price, or an insufficient price, for CO2 emissions.

An audit perspective on sustainable finance

Sustainability was put, in the words of our ECA President Klaus-Heiner Lehne, ‘...at the heart of our work for the audit and review tasks starting in 2020’, and one of the ECA’s high-priority audits concerns sustainable finance. We are examining whether the Commission’s actions contribute effectively towards mobilising private sustainable finance for climate action. The work is challenging, not least due to the fact that the 2018 Commission Action Plan on Financing Sustainable Growth is relatively recent and so are its actions. At the same time, a ‘renewal of the sustainable finance strategy’ has started, as announced in the European Green Deal. Possible changes to other key legislation e.g. the Non-Financial Reporting Directive (NFRD) or Solvency II (Insurance industry) are also being discussed. Much is therefore in the flow.

However, we already have important action on the ground from which lessons could be drawn. The concrete and ‘practical’ side to our ongoing work involves the audit of the infrastructure and innovation part of the European Fund for Strategic Investment (EFSI), of which 40% is supposed to go towards funding climate action. In fact, EFSI is – in terms of amounts - one of the most important EU finance tools for mobilising private sustainable finance to meet the EU climate and energy targets. EFSI is managed by the European Investment Bank (EIB), which will also implement its successor, called ‘InvestEU’.
**Opportunity to build a sustainable future or another ‘tragedy of horizons’?**

The audit has just become more topical with the Covid-19 induced economic crisis and the recovery measures being put in place. The Commission, in its consultation on the renewed sustainable finance strategy, stated that ‘[t]he ongoing Covid-19 outbreak in particular shows the critical need to strengthen the sustainability and resilience of our societies and the ways in which our economies function.’ The Joint (Commission and Council) Roadmap to the recovery states that ‘The Green transition and the Digital transformation will play a central and priority role in relaunching and modernising our economy.’ The Ministers of the Environment of 17 Member States have called for a green recovery, so has the European Parliament, the IMF, and leading European banks, insurances and investors. But it is not just the green side of sustainable finance which is increasingly in the spotlight. The Covid-19 crisis might be a pivot point to reorient or rebalance the discussion towards the social side of sustainability.

Finally, and from an early point in time, the last weeks have also been an opportunity to show that sustainability pays off. With a correlation between financial performance and a company’s ESG criteria already established in ‘normal’ times, first signs show that sustainable equity funds have performed better than their peers in the Covid-19 downturn.¹

Sustainable finance is among the IMF’s priorities for a green recovery, which, in the words of its chair, Kristalina Georgieva, is ‘our bridge to a more sustainable future.’ The next months will show whether this bridge can be built or whether we face another ‘tragedy of the horizons’ where short-termism prevails.

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Climate change has been at the core of the ECA’s audit work for some time now. It is one of the priorities in the ECA’s 2020 work programme, but even before, the ECA had already published a number of climate-related reports. Katarzyna Radecka-Moroz has worked as an attaché in a Member’s office and has contributed to several audits related to natural resources and climate issues. In this article, she analyses how the ECA communicates on its audit work regarding climate change, and reflects on what could be done to enhance the impact of the ECA’s audit findings.

Looking at facts first

Climate change has been at the core of the ECA’s audit work for some time now. This can be explained by the multiple risks involved, and the steadily increasing financial importance of climate change actions in the EU. But it is also a crosscutting theme which intertwines with many other EU policies. We have already published a number of audit reports in recent years, tackling the issues directly or indirectly, e.g. on EU Green House Gas emissions (special report 18/2019), desertification (special report 33/2018) or food waste (special report 34/2016). See also page 57 for greenhouse gas emissions and page 82 for desertification.

In some of these reports, we discuss why climate change entails an unprecedented risk for us and our lives and the economy. But more often, we kick off the narrative by starting from the obligations undertaken by the EU in this somewhat hazy context, without necessarily explaining in detail why it matters for people. In our audits, we concentrate on depicting the gap between the applicable rules in the EU and Member States and the reality on the ground, but we rarely translate our findings into any consequences they should have for climate change, and, ultimately, for us. It may not be an easy task to link our observations to the risks involved and how they affect people’s lives and their health. However, for me, personally, the question that often pops up is whether we, as public auditors – and this is also about remaining a credible partner - should not be more outspoken about the importance of climate change issues, and, using our findings, raise greater awareness of the urgency of some of them and promote effective solutions. Or, to put it differently: be clear about the context in which these facts matter most.

Connecting to the ‘So what?’ question

As public auditors, we wish our language to remain neutral and our reports to be balanced. In our daily work, we usually navigate our way through EU policies, strategies and legislation, but not necessarily connecting our work with people directly. Moreover, using clear language that connects well with the general public to describe the results of our work is already a challenge in itself. If we combine it with the task of adding a layer explaining the link between our audit observations and the impact of climate change on our lives the task becomes even more challenging.
Communicating on auditing climate-change

But in the end, the benefits may outweigh the extra effort. First, informing people about the consequences of one of the most pressing challenges of our times is to a certain degree our obligation and fits well with the ECA’s ambition to engage more with foresight analyses and practices, to be as relevant as possible. And, as ECA President Klaus-Heiner Lehne said recently: ‘In the era of fake news and anti-environmental communication, SAIs (supreme audit institutions) have an important role in providing fact-based information.’ It is our common practice to refer in our publications to information provided by reliable sources, such as the Intergovernmental Panel on Climate Change (see also page 13) or the European Environmental Agency. We have the knowledge; we have the audit results, let’s share them wisely.

Second, our citizens are clearly concerned by climate change. In a survey conducted in 2019, 93% of EU citizens saw it as a serious problem. We can respond to these concerns by providing information from our reports, and linking it with their reality. In return, it may speed up behavioural change, which is so desperately desired, and increase acceptance for uncomfortable but necessary systemic changes.

Third, working on an issue as relevant as our climate, and the environment at large, can be a very motivating and satisfying task. As research by the International Organisation of Supreme Audit Institutions (INTOSAI) has concluded, people tend to be more and more interested in the environment and nature. It may therefore be easier to attract people’s attention with reports covering such aspects. Such an approach increases the chances that the ECA’s findings and messages will be heard and that the organisations audited will take effective action to implement the recommendations - which should boost our motivation as auditors to work on these issues.

Language – the way we write is crucial

Of course, language matters, irrespective of the issue. Every report should be written clearly and comprehensibly, which was also one of the core elements of the ECA’s 2018-2020 strategy. But the point here is to interconnect our findings with their impact on everyday life in words that will be meaningful to the public at large. In the ECA’s special report on air quality – an issue that is linked with climate change generally - the main findings pointed towards noncompliance and ineffectiveness. These led readers to conclude that the consequences of the weaknesses identified through our audits meant – and probably still mean - that our

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Box 1 – Findings and context

An audit on climate change in Canada achieved high visibility because it was able to answer the question ‘so what?’ i.e. explaining why the issue was important to parliamentarians and Canadians. Source: 2019 Research Paper, International Organisation of Supreme Audit Institutions (INTOSAI)

An audit on climate change in Canada achieved high visibility because it was able to answer the question ‘so what?’ i.e. explaining why the issue was important to parliamentarians and Canadians. Source: 2019 Research Paper, International Organisation of Supreme Audit Institutions (INTOSAI)

An audit on climate change in Canada achieved high visibility because it was able to answer the question ‘so what?’ i.e. explaining why the issue was important to parliamentarians and Canadians. Source: 2019 Research Paper, International Organisation of Supreme Audit Institutions (INTOSAI)

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Box 2 – Communicating about audit findings on the environment

Academics have found that communication on environmental issues serves two different functions, which are both significant in connection with SAIs’ environmental audit work. First, communication on the environment is pragmatic, meaning that it educates, alerts and helps us solve environmental problems. The specific perspective here is to pay attention to how governments can solve these issues in the most economical, efficient and effective manner. Second, communication about the environment is constitutive, meaning that it helps SAIs construct and compose representations of environmental problems as subjects for our understanding. This perspective assists in defining certain subjects as problems. By carefully choosing their audit topics and communicating about them, SAIs participate in the public discussion on what is important.

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1 Greenlines, INTOSAI, December 2019, VOL. 20, no 2.
2 https://ec.europa.eu/clima/citizens/support_en
3 Research Paper, INTOSAI, Improving the Visibility of SAIs’ Work: Communicating Environmental Audit Results, 2019.
health is not as protected as it should be. This helped enormously to draw attention to the problem in the media and among different stakeholders.

**Visual journalism: an answer staring at us?**

Recently, *The Guardian* decided that whenever one of their articles speaks about events related to climate change, the photos linked to the article will display people impacted by its consequences. So no more polar bears drifting on a piece of ice. Instead, you will see people suffering from floods, droughts, or other extreme weather events. The intention of this decision is clear: the Guardian wants to use its influence to help people understand that climate change affects real people, not necessarily far away from us, and that it is happening now. However, caution is necessary here, since the accusation of ‘sensationalism’ might not be long in coming.
Reaching out widely

There are many forums, apart from the European Parliament and the Council, at which we could present our climate change-oriented reports. For some time now, we have regularly been present at the UN Climate Change Conference COP, but there is an abundance of other opportunities. This raises the question of whether the ECA should strive to raise its profile, and thereby the uptake of its findings and recommendations, by attending more events.

Let us not forget social media. There can be no doubt that these are some of the most powerful tools for communicating effectively, and we are already quite active in this field. But the use of these means could be enhanced by, for example, coordinating publications by individual staff members. Some of us already do it, but rather spontaneously, and more effort, possibilities and incentives are required to promote such activities.

To summarise, climate change is impacting our work, being an important criterion for audit selection. We have already published and will continue producing reports which contribute meaningfully to the way this problem is managed by the EU and its Member States. However, our publications have the potential, unexploited as yet, to reach out to EU citizens and raise awareness about climate change action, or the lack of it. We could systematically translate our climate-oriented work into messages which are understandable for EU citizens. By improving the accessibility of our reports, making our findings and recommendations more understandable for EU citizens, we can further increase the chances that they are acted upon, influence behavioural change, and increase our audits' visibility. I believe it is worth the effort.

Box 3 – The Finnish SAI’s experience

As appears from research by INTOSAI, in the Finnish SAI, the annual staff appraisal procedure includes criteria relating to auditors’ communication activities. Evaluation of these criteria is based on how active the auditor has been, e.g. in writing articles, blog texts or social media feeds on their audits, or giving presentations about their work in seminars and conferences. Media activity is only one indicator among several other factors, but it contributes to the overall appraisal. The SAI of Finland considers auditors’ communication important because it is essential for the overall impact of the SAI.

4 E.g. OECD, Global Climate Forum, The Copernicus Climate Change Service, the European Commission’s Joint Research Centre, but possibly also more locally, reaching out to schools and communities, following up the event when we invite students from Luxembourg and Trier.
The ECA contributing to fighting climate change at COP25

By Nikolaos Milionis, ECA Member

In December 2019, the UN Framework Convention on Climate Change (COP) took place in Madrid, its 25th session, and therefore called COP25. It was the third COP where the ECA presented its work. The ECA delegation was headed by Nikolaos Milionis, ECA Member and Dean of the audit chamber responsible for the audit of sustainable use of natural resources. Below he highlights the key issues presented in Madrid and why these findings were relevant to participants in COP25.

Climate change - a long term public concern

Climate change is a major public concern. According to the Special Eurobarometer 490 published in September 2019, eight in ten Europeans think climate change is a very serious problem and almost all respondents (92%) agree the EU economy should be made climate neutral by 2050.

Latest publications indicate that the path to climate neutrality will be challenging. The UN Environmental Programme (UNEP) Emissions Gap Report 2019, published in November 2019, concluded that ‘Countries collectively failed to stop the growth in global GHG emissions, meaning that deeper and faster cuts are now required.’ The European Environment Agency’s report The European environment — state and outlook 2020, published on 4 December 2019, showed that ‘Europe faces environmental challenges of unprecedented scale and urgency.’ It calls for immediate and concerted action to achieve the EU’s long-term sustainability goals.

The EU institutions are answering these concerns, putting forward ambitious greenhouse gas emission reduction plans for the future. On 28 November 2019, a few days ahead of the UN COP25 Climate Change Conference in Madrid (2-13 December 2019), the European Parliament approved a resolution declaring a climate and environmental emergency in Europe and globally. Two weeks later, the new President of the European Commission, Ms Ursula von der Leyen, released the European Green Deal, with its ambition for Europe to be the world’s first climate-neutral continent by 2050.

At the ECA we have had climate change on our top priority list for several years now. Within the ECA one of a total of five audit chambers focuses on auditing climate, environment and health issues and their links to the EU’s Common Agricultural Policy and the EU’s Common Fisheries Policy. In our landscape review EU action on energy and climate change, published in 2017, we highlighted the extensive work carried out on the issue by the supreme audit institutions (SAIs) in Europe. Based on the wide range of audit reports published, we drew attention to seven main challenges that the EU policy maker is facing.

This review showed the key role that external auditors play in promoting accountability, transparency, as well as the efficiency and effectiveness of EU and national policies relating to the fight against climate change. Following this landscape review, we published a series of special reports on climate change. They covered both mitigation, with special report 5/2018 on renewable energy for sustainable rural development and special report 24/2018 on carbon capture and storage, and adaptation, with special report 25/2018 on the EU floods directive and special report 33/2018 on combating desertification in the EU.

The ECA has developed its presence at the COP meetings over the past three years. Former ECA Member Phil Wynn Owen presented the landscape review on energy and climate at COP 23 in Bonn. The following year at COP24 in Katowice, the ECA increased
its visibility by organising two events on its special reports on desertification and air quality (special report 23/2018). These presentations attracted the attention of a variety of stakeholders to our findings and recommendations. We also demonstrated the contribution that supreme audit institutions (SAIs) can make by reviewing public policies and measures. We can help assess whether they are delivering the expected benefits and achieving the ambitious long-term climate and environment targets.

ECA reports as a stepping stone to discussion and exchange with experts

Building on these successful past experiences, we decided to run a similar presentation of our latest report on climate issues at COP 25 in Madrid. Special report 18/2019 on EU greenhouse gas emissions was published on 20 November 2019, a couple of weeks before the start of the conference. I had the honour of presenting this report, together with Kristian Sniter, Head of my private office, to a group of highly interested experts and to exchange knowledge on such a complex but crucial issue. The European Commission’s Directorate for Climate Action (DG CLIMA) and the European Environment Agency (EEA) also took part in the discussions on how to achieve further reductions in greenhouse gas emissions in line with the EU’s ambitious long-term objectives.

In our audit we had found that the EU greenhouse gas inventories were well reported, in line with UN rules and guidelines. We noted progress in the quality of the data checked by the Commission and the EEA before transmission to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. The EU emission reduction targets covered the key sectors. The LULUCF (land use, land-use change, and forestry) sector will be included, from 2020 onwards, in the 2030 EU emission reduction targets and international shipping is under consideration for inclusion. The quality of projections is improving; however, they show a gap between the targets set and the effects of the measures taken. Additional efforts will also be required to reach the new target for 2030, which has risen to “at least 50% and towards 55%” under the European Green Deal.

Specific sectoral roadmaps covered 70% of EU emissions, but not some key areas, such as agriculture and LULUCF. Such roadmaps are crucial for the development of the respective sectors in a sustainable way. See also, for further details, our findings on the reporting of mitigation policies and measures to the UNFCCC, on pages 30 to 32. On the basis of our audit, we recommended improving the framework for future emission reductions, by:

- assessing the case for introducing intermediate measures and milestones at EU level for international shipping;
- ensuring that the strategic plans for agriculture and LULUCF contribute to achieving the 2050 reduction targets;

- assessing and reporting to the UNFCCC the impacts on emissions of key EU policies and measures, such as the Emissions Trading Scheme, the Regulations on CO2 emissions from road transport, and other sectors covered by the Effort-Sharing Decision.
Providing building blocks for future climate action

The presentation of our special report on EU greenhouse gas emissions was both relevant and timely for the ongoing discussions at COP25. Emission data is at the heart of the Paris Agreement. It is the main tool to measure whether the parties are delivering on their commitments. It is therefore important that auditors can provide assurance on the quality of the data produced, the more since they are often used for projections for the future. The report also highlighted the challenges of developing a complete set of sectoral roadmaps, aligned with the long-term reduction targets, supported by well-designed policies and measures and including quantified ex ante and ex post estimates of emission reductions to measure progress.

Public auditors can provide credibility for the data, help improve the effectiveness of the policies and measures, and, in the end, contribute to the global effort to achieve carbon neutrality. It is therefore key to continue developing our audit capacity on climate-related issues and present our findings at the COP conferences and other international forums to increase their use as building blocks for future policy making on climate change action.
Since early 2017, the ECA has published over 15 special reports related to climate change, and several more reviews, which also touch upon this policy theme. Peter Welch, for many years already with the ECA, is now about three years the Director ‘Sustainable Use of Natural resources,’ thereby covering audits related to agriculture, climate and environment, health, consumer affairs and fisheries. He has seen the ins and outs of most of these publications, including the operational challenges and communication aspects related to them. A good moment to look back – and forward – on what have been some key aspects on auditing climate change issues that stand out for him.

Biodiversity – an element of climate change well covered by ECA audits

Peter Welch is a busy man these days, also in times of the Covid-19 confinement measures. Not only because of the various publications his directorate is producing but also the interest they trigger. For example, for the special report 13/20 on biodiversity, which was published on 5 June 2020, when the World Environment Day 2020’s theme is biodiversity, calling for nature to be at the heart of all decision-making.

For Peter there is a clear link between climate change and biodiversity: resilience. ‘If you want a resilient ecosystem you need a diverse ecosystem. The less diverse your ecosystem will be – so the more you reduce species diversity - the less you are able to cope with climate change as it happens. I think it is key in terms of having the world we continue to live in that we have; that we preserve - perhaps rebuild - our biodiversity.’
Interview with Peter Welch, ECA Director ‘Sustainable Use of Natural Resources’

He adds another more minor aspect to that: ‘Living beings capture. So if biodiversity means having more biomass, having more forests, for example, that is carbon capture in practice. But the primary issue is resilience.’

When discussing the ECA role in assessing biodiversity, Peter does not need long to reply, apparently already prepared for possible questions from the media on the upcoming ECA report on this topic. ‘One thing that we are lucky with in our directorate is that we deal with some policy areas where the EU has international commitments. This is true of climate change because of the 2015 Paris Agreement and many other climate related agreements you probably have heard of. Regarding biodiversity the International Conventions on Biodiversity commits us – the EU I mean - to do things. We have been able to assess how we are doing in relation to that international framework. It is a nice place to operate in in terms of performance audits.’ He explains that these conventions on Biodiversity becomes the ECA’s framework: ‘Are we preserving the environment the way we should preserve it? There are completely external criteria against which we can judge what the EU is doing.’

Regarding the contents, he gives the main thrust of this recent special report 13/2020. ‘If you look at Europe, if you look at the big cartographic area of Europe you see that 45% of Europe is agricultural land. Another 45% is forest. What happens on this farmland is really crucial to our overall biodiversity. It is not a small part of the picture: it actually is one of two biggest parts of that overall picture.’ He points out that one of the reasons for funding from the EU’s Common Agricultural Policy is to improve the relationship between agriculture and biodiversity. ‘We knew already that the big pressure comes from where you have big areas of monoculture. That really reduces biodiversity and we wanted to see where EU is delivering and where it was not.’ For details he refers to the report itself, adding that the ECA found some things which were working well, and areas where there is a lot of scope for doing things better in future.

Peter indicates that the ECA published several reports related to biodiversity. ‘In our special report 5/2020 that we published earlier this year we looked at plant protection products. We asked ourselves whether integrated pest management, which is essentially a more natural approach to pest control, was having the impact it ought to; we thought it was not. We will shortly publish a report on pollinators which is a specific and very important part of biodiversity.’ He also refers to a still ongoing audit, to be published later in 2020, on marine biodiversity. He concludes that the ECA has now, and soon even more, a comprehensive but wide ranging set of reports looking at biodiversity issues across the EU policy area. ‘I am pleased with that and I think it will be on time because now and at the beginning of next year the International Convention will meet to look what happens next on biodiversity. And I hope, besides what we have already, we will produce something in time to contribute to the lead up to that debate.’

Many areas connected to climate change – already by default

With biodiversity as just one example of how various issues connect to each other, Peter sees many other policy areas that can be connected to climate change, almost by default. ‘A lot what we are doing is looking at not just that the policy achieves what the policy was intended to achieve. We also look at whether there are unintended consequences of the implementation of this policy. It is quite possible, of course, that those end up having an impact on climate change.’ He observes that most often those are indirect side effects. ‘No one sets out to have a policy which will accelerate climate change, at least not that I am aware of. But maybe the unintended consequence of the policy that this happens. To take something internationally very well known: If the impact of your policy is that people chop down forests you have an impact on climate change.’ Another example he mentions is special report 23/2018 (see also page 96). ‘That has a link to energy: burning fossil fuels is bad for the air pollution. It will be interesting to consider in the future the relationship between Covid-19 and air pollution.’
He concludes that a lot of what the ECA is doing is looking at both the intended outcomes and the unintended outcomes of the policy. ‘That brings all of things together. Sometimes the links between what we look at are not obvious.’ As an example, he gives rural development and renewable energy. ‘You might not immediately perhaps think of rural areas and renewable energy going together. But they very clearly do.’ Another example he refers to is climate change and agriculture. ‘This is something we will be looking at over the next year.’

These interconnections are one of the reasons why the ECA organizes events to bring people together to speak about the different things they are doing. As an example he gives the meeting of the Working Group Environmental Auditing of the European Organisation of Supreme Audit Institutions (EUROSAI), hosted by the ECA in 2019 (see also page 92). ‘That was a wonderful event; while hosting the EUROSAI Environmental Audit group we took advantage of that by organising with them a seminar which was relevant to some of the things we are doing and relevant to some of the things other people are doing. I think there is a lot to be achieved by sharing ideas with different audit offices. And there are increasingly more environmentally friendly ways of doing that.’ He explains that at that meeting there were many experts from universities and there was also the World Wildlife Fund. ‘Links with and between those people can be really useful. Our people working on these issues need quite a lot of background knowledge, they have to be reasonably submerged into these issues to draw the right conclusions.’

New EU initiatives and the ECA’s audit work programme

On 27 May 2020, the European Commission announced its ‘Next Generation EU’ programme to support the Member States to recover from the measures taken against the Covid-19 pandemic and its economic aftermath. Other recently announced initiatives announced by the Commission are its Farm to Fork programme and its Biodiversity Strategy. But these initiatives do not immediately send a shockwave through the ECA’s audit programming. Peter: ‘Take for example the EU’s new Biodiversity Strategy which is meant to take us to 2030. When new initiatives are announced, there is a considerable lead time between the Commission announcing what is going to be proposed and that turning into its expenditure. In general, I am not expecting us to doing audits the very next day. I am expecting to have a reasonable amount of lead-time for that.’ He actually argues that it is perhaps an issue for the EU is that the lead times can be very long. ‘The time for people accept that you can reach judgment on a new police is really quite significant.’ He concludes the ECA has a reasonable amount of period to respond to the new spending programmes. ‘It is not something that we need to do from one day to the next.’

However, Peter also points out that there it occurs that the ECA is required - or requested - to give an opinion or to comment to a proposal. ‘For example, at the moment we are commenting on the Multiannual Financial Framework [MFF] proposals on what they mean in terms of climate mainstreaming. And things like that need tp be produced quickly.’

In the Commission’s proposals also health expenditure are covered. Peter: ‘The Commission suggests that a lot more money will be spent in the future.’ He adds that the ECA, and particularly his directorate, has a good background doing work on health topics – including the relationship with pollution - and that it will be interesting to see what are the new areas of expenditure and what they mean in terms of audit. ‘But it is very early to respond to that. We also reviewing what the EU has done to respond to the Covid-19 crisis and that would be something that we hope to publish at the end of this year. That would be a review rather than an audit, but that would be a very quick response.’

So while the amounts of funds can certainly be an important audit selection criteria for an audit, Peter underlines that there are several others. ‘It has to have a significant EU angle to what is happening.’ He gives the example of special report 1/2020 - on eco-labels and eco-design, which is looked at the extent to which the consumer products that we use all the time become more energy efficient over time. ‘We did not look at it because of a lot of EU
Interview with Peter Welch, ECA Director ‘Sustainable Use of Natural Resources’

spending, but we looked at it because there is definitely an EU role in it in terms of legislation. When we choose a topic, we are looking at the EU role, I am looking for it to be feasible to analyse the EU role. There are issues with big impact on climate change where there is not much EU role and I think it is for other supreme audit institutions to look at those. We need to focus on the things where the Commission or EU legislation is fundamentally involved.’

“We are looking at the EU role (...) There are issues with big impact on climate change where there is not much EU role and I think it is for other supreme audit institutions to look at those.

Reversing this logic towards EU’s climate policy the question arises whether there is a gap in the EU’s climate policy: is the EU missing something where it is supposed to have a role? Peter: ‘We have identified a few discrete gaps. For example, the ETS - the European Emissions Trading Scheme - it does not cover every sector; its coverage in areas like aviation and shipping are quite limited. We raised some questions about this. On the other hand, the ECA director thinks that auditors need to be very careful not to promote their favorite policies. ‘It is other people’s job to decide what should be done; it is our job to look at what happens and whether what happens is worthwhile and value for money. I do not think it is our job to promote new areas of spending.’

“... examining a proposal on climate change as we do in any other area. We treat it in a way we treat other things.

Regarding audit selection Peter refers, as possible stepping stone, to the international agreements he raised earlier. ‘Specific agreements like we have on climate change or that might come back through the Sustainable Development Goals. For several aspects of what we cover in our audits we are quite lucky to have this international framework to work with, looking what goes beyond the EU.’ He gives the example of special report 33/2018 related desertification. ‘Our means of looking at that were international agreements in this area. And the EU is a party to it and has a role in terms of providing the information to the United Nations. And that gave us an interesting role. The same applies to our special report 18/2019 on greenhouse gas emissions - the information goes to the UN but there is the quality control from EU bodies and we wanted to look how that works.’

Overall, Peter believes that the ECA’s work programme and the related publications reflect topics high on the EU’s activity agenda, one of them being climate change. ‘The EU has a lot of policy areas and a lot of spending areas which relate to this topic. For example, the EU’s Emissions Trading Schemes is one of the very prominent featuring on that activity agenda. So we need to look at those things. And we are currently assessing free allocation of allowances under the ETS. Another topic that comes to his mind relates to biofuels. ‘I think we should consider to review again the support to that scheme.’

**Climate - audit methodologies and impact**

When it comes to audit methods and techniques used regarding climate change issues, the ECA Director does not think they differ very much from those used for other policy areas. ‘I think we need to have the same tools for examining a proposal on climate change as we do in any other area. We treat it in a way we treat other things. Secondly, as I indicated there is most often an international framework around these topics. The EU is frequently signed-up to do these things and I think it useful for us as auditors.’

These details written into international agreements can sometimes be a bit cumbersome. ‘For example, it can come with limitations in that there are ways of measuring. The agreement which says we must try and do something also says how it shall be measured. And you sometimes have to work with those ways they are measured. Understanding at the same time they are not perfect measures and there are ways improving them.’ He gives again the example related to the ECA report on greenhouse gas emissions. ‘There are some assumption built in in a way you measure greenhouse gas emissions and there is no point to complain about those assumptions. But does not mean that you are not asking yourself whether they are the right assumptions to be used in the next reporting period, for example.’
When discussing the increasing amount of climate litigation and how that may influence public auditors work, Peter’s approach is rather down to earth. ‘Let’s take our audit on air pollution, an area in which many, many people do bring cases against city councils, regional governments, national governments. I think it goes in parallel to what we are doing. I think our job is to see whether the policy is delivering, not to take people to court.’ He believes there are enough legal specialists in other institutions to look into that aspect.

As to which ECA publications related to climate change had a clear and visible impact on the EU’s climate policy, Peter has some clear candidates. ‘There was special report 21/2017 on Greening payments under the EU’s Common Agricultural Policy. The two impacts that come to mind are rather indirect than direct.’ The first impact he recalls relates to the work the ECA auditors did on the CAP. ‘For this audit the team did, in my view, some fantastic analysis which looked at what was hoped for when greening was introduced. And it did some fantastic work to show what it deliver.’ He explains that greening involves 30% of money spent on direct payments for agricultural policy and the ECA finding was that it had changed land use in maybe 5% of agricultural land. ‘We were able to demystify the impact of that policy in a very useful way and I think the way we were able to do that showed what was possible in other areas. The impact is indirect, but I think quite profound.’ He recalls that the Commission’s proposals for the next financing period in this area were very different, with substantial funding consequences. ‘But I cannot tell you that they were very different simply because of what we had done or whether they would have changed it otherwise. What I can see that what they proposed for new period is quite different.’

The second impact he sees is more recent. ‘Actually, we have not seen the impact yet, but I think we are going to. In our special report 4/2020 we looked at the use of satellite technology to monitor the CAP. We showed there that we can do good things in terms of having a better financial control of who is getting money. The potential for using that technology to say more about the environmental impact of activities that we are funding was quite significant and I think that is going to have continuing impact on what happens in this area.’

Challenges and blessings

One aspect he thinks might be an impediment for realizing the climate ambitions for the EU - and also for everyone around the world - is that in general people are better at measuring whether they achieved all or some of the things they wanted to achieve than looking at whether this also had some negative impacts which they did not expect. ‘I think we need to get better at measuring the negative externalities of the policies that happen.’ He recalls that the ECA already made this point in special report 31/2016 on climate mainstreaming. ‘There we raised the concern - one measures things that are good, but one does not measure things that might do harm. If you are building motorways, think about the extra fossil fuel consumption that entails, related to the extra traffic that it may cause.’

At the same time, he underlines that the EU has come up with a lot of ideas for improvement and a lot of good recommendations. ‘If you go through the national figures, it has been quite impressive how we have decoupled economic growth from carbon consumption in the EU. I believe we have done better job in that than any other region of the world. There are certain individual countries that have done better, but taking the EU as whole - we have done well on that. Yet, if you look at all the reports we have done, we have come up with many ideas in which these policies could be further improved. We come up with a lot of ideas for improvements, but we also need to try and balance. And bear in mind that the EU actually has, in comparison to other parts of the world, quite a good story to tell on these policies.’
Auditing climate change actions – a strategic priority in the past... and also for the future

By João Figueiredo, ECA Member

Public audit institutions aim to audit issues that are relevant to their stakeholders and to provide new insights to promote better decision-making. For policies with a long time horizon – such as climate change – it is particularly important to address actions and concerns at an early stage. João Figueiredo is not only an ECA Member involved in audits assessing climate change action, but also chairs the ECA’s Strategy and Foresight Advisory Panel, preparing the new ECA’s strategy beyond 2020. He looks back and forward on the interaction between ECA strategies and the way in which auditing climate change actions has evolved.

Auditing climate change policies – a moving target in times of a pandemic?

Writing an article on the ECA’s audit activities in the field of climate change in the middle of the Covid-19 lockdowns is not an easy thing, in view of the other concerns people currently have. For sure, the impact of the pandemic will last: after the pandemic crisis - if there is an ‘after’ - since we must be aware that it can come back seasonably or otherwise - the political, economic and cultural impact it has unleashed might last for many years, perhaps even generations. Therefore, any reflections on our common future, including those related to audit, must address it. And we will do so in our audit work, as can be seen in our first Covid-19-related publication, opinion 3/2020 on mitigating the Covid-19 outbreak using EU structural funds. However, other issues will continue to have an impact on our societies and on the EU, such as climate change and sustainability.

Figure 1 - Trends and developments relevant to the ECA’s audit work

Before arriving at the ECA in 2016, I had never assessed environmental issues, either in my academic training or in my professional life. However, as a citizen, ecological issues have been a personal concern for a long time. And as ECA Member, working in the ECA’s audit chamber responsible for auditing the sustainable use of natural resources, I committed myself to acquiring as much knowledge as possible in this new area and assessing it in the light of my previous experience. Furthermore, as reporting Member for a number of climate-related ECA audits, I had extensive exchanges with colleagues and I noticed that many of our auditors have a commendable knowledge of environmental issues acquired by academic training or professional experience.

Performance audits are playing an increasingly important role in the ECA’s work, promoting best practices in the use of resources made available to public bodies. For this type of audit the audit criteria evolve around the principles of economy, efficiency, and effectiveness, aiming to ascertain whether the predetermined objectives and standards of performance set by the entities concerned have actually been attained and at what price, in any policy area, also including climate policies and, as a matter of fact, health policies. We must all bear in mind that ethics, equality, and ecology are increasingly becoming part of our considerations, thus complementing the traditional three Es.
Many ECA publications touch explicitly or implicitly on EU climate policies

The ECA has published many reports related to climate policies (see page 47 for a more exhaustive overview) and I have coordinated several reports in which we focused specifically on climate-related issues. For example, special report 16/2019 on European environmental accounts addressed the fundamental question of the timeliness and quality of data to support environmental policies. Special report 3/2020 examined how well the Commission contributed to nuclear safety in the EU – an aspect not always connected to climate change but having the potential, in case of negligence, of huge potential impacts on our environment. In April 2020 we published our special report 11/2020, in which we assessed the cost-effectiveness of EU-funded energy efficiency investments in buildings.

There are also other climate related audit tasks in the pipeline, at different stages: one to assess whether EU action effectively protects the marine environment from pollution and overfishing - also by appropriately establishing marine areas - for which we expect the report to be published in the second half of 2020. Another audit, still in its initial phase, relates to forests. We will assess whether the EU has made good use of the rural development funds for forestry to protect biodiversity and to promote climate change mitigation and adaptation.

We have also issued publications, which do not, specifically, have climate issues in their titles, but certainly relate to them. As reporting Member I coordinated climate related work for our opinions 7/2018 and 1/2020 on the Common Agricultural Policy, and the review 2/2018 on the future of the CAP. These documents addressed questions related to climate change and environmental protection, in terms of assessing how the CAP has been and will be contributing to climate change mitigation and adaptation, and to environmental protection. In those documents, we reiterated our audit findings and expressed certain concerns and recommendations with regard to improving the impact of the EU’s climate policies.

Along these lines we are going to examine whether the EU’s LEADER Initiative could add value if compared with traditional investments in rural development. LEADER is the EU’s bottom-up approach, where the identification of local needs could result in more sustainable rural development. We have also recently adopted an audit task on climate change and agriculture to assess whether the EU has designed an appropriate framework for the use of mitigation practices in agriculture and whether the CAP-funded mitigation practices used by farmers have contributed to a meaningful reduction of greenhouse gas emissions. Our audit findings are likely to be published in 2021.

ECA strategies show clear focus on climate change policies

The ECA’s considerable audit output just described is not a surprise if we look at the ECA’s previous audit strategies. During the last six or seven years, we have made a decisive shift towards addressing more climate-related issues in our audits, and to doing this more consistently. This has been a gradual change, as previous ECA strategies (from the early 2000s) already pointed in this direction, with strategic objectives relating to environment and climate change.

The ECA audit strategy for 2009-2012 was the first one that had ‘Preservation and management of natural resources’ as a key element, with a primary objective of assessing several aspects of the intersection of environmental and agricultural goals. For the 2013-2017 period, the ECA’s priorities were to give sufficient audit coverage to areas contributing to the overall EU objectives of achieving added value and growth, as well as the EU’s response to certain global challenges. Among these, the ECA highlighted EU policies on agriculture, water, energy, transport and development, with their implications for the environment and climate change, as strategic elements to be covered.

Finally, our current strategy, for the 2018-2020 period, presented in late 2017, considered that the challenges and opportunities in the ECA’s environment were the major policy challenges, such as migration, security, the financial crisis, climate change, investment
in people and infrastructure, free trade and globalisation. Therefore, I can conclude that the last three ECA strategies have all focused on environmental and climate change issues, and increasingly so. This subsequently showed its effects in the ECA's annual work programmes related to these periods. And - no surprise - also in our output, with over 20 publications over the last three years relating directly or indirectly to climate change issues.

Figure 2 - Instruments in the ECA Strategy and Foresight Ecosystem

Next year, we will start a new strategic period: from 2021 until probably 2025. For the definition of the ECA's new strategy, we must be aware of our main stakeholders' options and expectations, including concerns expressed by citizens. The European Council last year adopted a New Strategic Agenda for the period 2019 – 2024. It sets out four main priorities, one of them being building a climate-neutral, green, fair and social Europe.

In this document the Council emphasizes that the EU urgently needs to step up its actions to manage the existential threat of climate change as it becomes more visible and pervasive. The Council recognises that the EU can and must lead the way, by engaging in an in-depth transformation of its own economy and society to achieve climate neutrality, taking into account national circumstances and social justice. In the Council's view, the success of the green transition will depend on significant mobilisation of private and public investments, on having an effective circular economy, and an integrated, interconnected and properly functioning European energy market. The Council considers that the EU must accelerate the transition to renewables, increase energy efficiency, reduce dependence on outside sources, diversify its supplies, and invest in solutions for mobility in the future. In parallel, the EU must continue to improve the environment in cities and countryside, enhance the quality of air and water, promote sustainable agriculture, lead efforts to fight the loss of biodiversity and preserve environmental systems, including oceans.

The European Commission has also established its political guidelines for the period 2019-2024. The Commission has confirmed its ambition to reach the net-zero emission target by 2050, and raise the target for 2030 to 55%. These are objectives covered by the European Green Deal, presented in December 2019, and are one of the Commission's eight main priorities, if not among its top three.

The Green Deal includes the extension of the Emissions Trading System, the European Climate Pact - bringing together regions, local communities, civil society, industry and schools - a Sustainable Europe Investment Plan, a Biodiversity Strategy for 2030, a new ‘Farm to Fork Strategy' on sustainable food and a New Circular Economy Action Plan. The purpose of the Commission is to allow Europe to become the first climate-neutral continent - by 2050 - and the EU to be a world leader in the circular economy and clean technologies.
The strategic priorities of these EU institutions are thus in line with the concerns of our citizens: a majority of Europeans think that protecting the environment is very important to them personally. In the Autumn 2019 Standard Eurobarometer survey on the attitudes of European citizens towards the environment, and for which the Commission published the results in December 2019 – so before the Covid-19 pandemic - 94% of the respondents said that protecting the environment was very important to them personally, including 53% who said that it was very important. Findings have remained broadly consistent over the last five years. Respondents considered climate change (53%), air pollution (46%) and the growing amount of waste (46%) to be the most important environmental issues.

About 76% of Europeans thought that climate change was a very serious problem in their country at that moment, and a similar proportion (77%) saw it as a very serious problem in the EU as a whole. In addition, 70% of the respondents considered that environmental decisions should be taken jointly within the EU. Last year climate change was the second most important concern of Europeans, after immigration issues.

All these strategic priorities and concerns also affect public auditors, and not only in the EU. In September 2019, the International Organisation of Supreme Audit Institutions (INTOSAI) reaffirmed in its Moscow Declaration the commitment of its members to make a meaningful audit contribution to the 2030 Agenda for Sustainable Development. And several of the 17 Sustainable Development Goals (SDGs) of this 2030 Agenda relate to climate change action.

Of course, with the COVID-19 pandemic, the concerns and, consequently, the priorities of our stakeholders, including EU citizens and also our audit peers, may have changed, for some more, for some less. However, the current pandemic has not taken away - at best only marginally slowed down - the effects of another global, much slower-paced threat, called climate change. And with the foresight information we have at hand it is clear that the ECA can and must play an increasingly relevant role in the field of the environment and related climate change actions, and consider them as one of its main priorities for our 2021-2025 strategy.
Combating desertification – the Portuguese Tribunal de Contas auditing the National Action Program to Combat Desertification

By Helena Abreu Lopes, Member of the Tribunal de Contas of Portugal

Climate change has many facets: land degradation, ultimately leading to desertification is one of them. And it is one where human activity is contributing most directly to the problem through an unsustainable use of water reserves. Member States in the south of the European Union are most affected by this phenomenon. As for almost all aspects of climate change, actions to mitigate or adapt to land degradation are generally long term. Helena Abreu Lopes is a Member of the Tribunal de Contas, the supreme audit institution of Portugal, and was reporting Member for the recent audit her institution did on combating desertification in Portugal. Below she goes into the programme’s design, its operational aspects and to what extent monitoring is being carried out to ensure that action is taken to meet the commitments made.

Desertification in Portugal

When land degrades in such a way that biodiversity is severely lost, water is scarce and of poor quality and soil is infertile, we are facing desertification. Desertification results from several factors, including climatic variations and human activities. Climate change influences desertification due to high temperatures and low rainfall, while, at the same time, desertification accentuates climate change because desertified soils absorb less carbon and greenhouse gases.

The climate in southern Europe is increasingly dry. The European Commission’s Joint Research Centre, when assessing the impacts of climate change in Europe, estimated for the southern countries (including Portugal) and for the period 2071-2100, potential losses in Gross Domestic Product of between 1.8% and 3% (depending on which scenario was applied). These losses are mainly associated with reduced production in agriculture, higher energy consumption, an expansion of the area affected by forest fires and an increase in the number of people affected by droughts.

2 In-depth analysis regarding several impact areas is included in the 2018 JRC PESETA III Project: Economic integration and spillover analysis (see https://ec.europa.eu/jrc/en/publication/jrc-peseta-iii-project-economic-integration-and-spillover-analysis)
Within the framework of the United Nations Convention to Combat Desertification (UNCCD), which Portugal subscribed to in 1994, Portugal declared that it was affected by desertification. An estimated 58% of continental Portugal’s territory is vulnerable to desertification, mainly in the south and inland areas in the centre and north of the country. Forecasts of climate change indicate that desertification risks will increase in the future.

In 1999 Portugal prepared its first National Action Programme to Combat Desertification (Plano de Ação Nacional de Combate à Desertificação - PANCD) and revised it in 2014. This programme is the national instrument for the operationalisation of the UNCCD.

Our audit of the National Action Programme to Combat Desertification

In July 2019, the Court of Auditors of Portugal - the Tribunal de Contas - completed an audit on the National Action Programme to Combat Desertification as revised in 2014 (PANCD 2014), with the objective of assessing the programme’s design, implementation and monitoring, to ascertain whether it contributes effectively to combating desertification in Portugal.

Considering that desertification is a typical cross-border phenomenon, the Tribunal de Contas coordinated this audit with a similar one undertaken in 2018 by the European Court of Auditors at European level. It also agreed with the supreme audit institution (SAI) of Spain - the Tribunal de Cuentas - to coordinate this work with a parallel audit they were conducting in 2019, comparing results and producing a joint report in 2020.

The Portuguese audit concluded that the PANCD 2014 was well designed, based on an adequate diagnosis and including objectives and lines of action that address the main desertification risks in Portugal. However, it observed that operationalisation, effectiveness and evaluation of the programme were compromised by the lack of an implementation perspective and by non-existent monitoring and assessment. Thus, it was not possible to determine the current state of implementation of the PANCD. The audit also identified a significant risk of non-compliance with the commitment to achieve national soil degradation neutrality by 2030.

What did we say about the design and content of the programme?

In our audit we considered that the PANCD was designed following a detailed and science-based diagnosis and a satisfactory participation process. The objectives and lines of action of the programme follow the UN recommendations and refer to the main factors contributing to the progress of desertification in Portugal.

It includes measures related, for instance, to: mitigation of and adaptation to climate variations; protection, conservation and recovery of soils; sustainable use and management of water; promotion of sustainable agriculture and livestock practices; promotion, conservation and adequate management of montados
Combating desertification – the Portuguese Tribunal de Contas auditing the National Action Program to Combat Desertification

(cork oak forests, known to be very effective in maintaining sustainable eco systems); protection of biodiversity, and improvement of living conditions for populations in areas that are vulnerable to desertification.

However, the PANCD does not yet include the efforts that Portugal should make to achieve its commitment concerning soil degradation neutrality, agreed in 2015 under the United Nations 2030 Agenda (target 15.3) and the revised UNCCD strategy. According to this commitment, countries must achieve soil degradation neutrality, avoiding, minimising and reversing the trends of this degradation in such a way that, in 2030, the global balance of productive soils, in biological and economic terms, remains stable or has improved compared to the initial situation. By the date of the audit, no other programmes or guidelines were in place in order to achieve that target.

Although the PANCD formulated adequate objectives and lines of action, it did not identify concrete activities to be carried out, or the bodies or government departments responsible for their implementation. Also, it did not include the deadlines for the completion of activities, the costs involved or coordination with the programmes/funds needed to finance the necessary actions.

The programme was designed as a strategic planning instrument, to be detailed in other related programmes and strategies. This means that the concrete activities for the implementation of the stated lines of action are quite disseminated. The problem of desertification and the strategy to combat it has been generally recognised and mainstreamed into several other national plans (for example on forest management, water management, nature and biodiversity conservation). However, operationalisation is still lacking in some important areas, such as, for example, soil protection.

What did we say about the implementation of the programme?

Our main conclusion was that the PANCD governance structures are ineffective, due to the lack of human and financial resources. This hampered both the supervision and monitoring of the implementation of the programme, and a systematic build-up of knowledge about desertification.

The main instruments for implementing and financing PANCD objectives are related to EU funds, particularly the European Agricultural Fund for Rural Development (PDR 2020). This fund finances measures that are relevant to combat desertification, such as agri-environmental and climate change-related measures, aid for less-favoured areas, forestry measures and investments in irrigation. For the 2014-2020 programming period, the expenditure on measures contributing to the fight against desertification amounts to €2 795 million. However, the information available does not allow identification of the specific amounts allocated to the implementation of the PANCD. Although the framework of the PDR 2020 funding includes a recommendation to favour projects located in areas that are vulnerable to desertification, the audit concluded that its application proved to be inconsistent and had little impact.

What did we say about the monitoring and results of the programme?

The programme includes a relevant, but complex, matrix of indicators to monitor and assess results. Nevertheless, the organisational structure responsible for monitoring the programme is not operational and the information is not collected systematically. No analysis or evaluations of the implementation of the programme were carried out. Thus, the current state of implementation of the PANCD is not known and its results and effectiveness cannot be assessed, even though the financial data shows a good pace of implementation of the measures and the projects analysed reveal the investments had a positive impact on the objectives.

A permanent, systematic and updated system to monitor the dimension and risks of desertification and soil degradation in Portugal has not yet been fully implemented. Although the PANCD has an action line for cooperation between Portugal and Spain in the context of combating desertification, no measures for its implementation have been adopted so far.
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Our recommendations to the Portuguese government

In our audit, we included two sets of recommendations to the Portuguese government. The first set relates directly to reviewing the PANCD in order to:

• align it with the UN 2030 Agenda and its 2018-2030 strategy, notably regarding the commitment to achieving soil degradation neutrality by 2030;
• specify the concrete actions to be developed, the entities responsible for implementation, deadlines, costs and sources of funding;
• reconsider the composition, competences, financing and operationalisation of the coordination structures;
• effectively implement and deploy a system to permanently monitor and update the progress of desertification and soil degradation in Portugal; and
• make sure that implementation of PANCD is monitored and evaluated, by defining and explaining indicators, goals, methodologies, information sources and permanent update procedures and assessment reports.

Our second set of recommendations is more general, recommending the government and its partners should:

• introduce indicators in the European funding programmes that make it possible to identify the measures that combat desertification and the respective costs and results;
• provide for more effective positive differentiation mechanisms favouring European-funded investments that contribute to combating desertification and soil degradation;
• implement incentives and guidelines for the adoption of crops and agricultural practices that combat desertification and soil degradation;
• promote the approval of legislation to protect soil from degradation and contamination and stimulate the respective remediation; and
• consider the implementation of the PANCD line of action that calls for a joint programme with Spain to combat desertification.

We also addressed recommendations to national administrative authorities that they should reinforce the human resources allocated to the implementation and monitoring of the PANCD, to operationalise the implementation and monitoring structures and procedures and to complete the digital platform and websites related to the PANCD and its projects.

Coordination with other SAIs

Desertification, as well as climate change, is not a national problem. It crosses borders, affecting parts of the world with common risks.

In Europe, desertification and its negative impacts affect mainly the southern regions, as the ECA acknowledged in its 2018 audit report on this subject. This audit focused particularly on the EU’s southern countries, Portugal among them. The Portuguese and the ECA’s audits were not a formally coordinated task but, since they were developed close to each other in time, they can be seen as complementary. While the ECA looked into the problem from a European policy perspective, the Tribunal de Contas sought to provide a more in-depth analysis of the national implementation of a set of needed measures. Audit teams from both SAIs contacted each other (e.g. during fieldwork conducted by the ECA in Portugal and in a seminar in Lisbon) and shared information, approaches and findings.
Combating desertification – the Portuguese Tribunal de Contas auditing the National Action Program to Combat Desertification

Within the European southern regions, the Iberian Peninsula in particular presents similar challenges, mainly in the south and interior of both Portugal and Spain. This calls for common approaches to tackle the problem, as envisaged by Annex IV to the United Nations Convention to Combat Desertification (UNCCD) and the national programmes to implement it. The SAIs of Portugal and Spain agreed to cooperate on this subject, deciding to conduct similar audits in 2019, covering not only anti-desertification efforts but also initiatives to fight forest fires (as one of the important factors to be considered). Audit teams exchanged information on how to address the underlying problems, on audit programmes and questions and on audit findings and reports. In 2020, a report will be produced on the common findings, issues and recommendations arising from those audit reports. This will allow us to identify lessons learned from each other and common areas to be explored by both countries.
In September 2019, against the background of the gilets jaunes (‘yellow vests’) crisis and discussions on how to best combat climate change, the French Council of Mandatory Contributions (Conseil des prélèvements obligatoires, or CPO) submitted to Parliament a report entitled Environmental taxes and the climate emergency. The CPO report proposes that increasing carbon taxes should be resumed with a view to achieving ambitious reductions in greenhouse gas emissions. At the same time, it also draws attention to the constraints and limitations of such increases. Antoine Fouilleron, Senior Auditor at the Cour des comptes, and General Rapporteur on this CPO report, explains the underlying reasons why the CPO is looking into this issue, the methodology used, and presents its key findings and recommendations.

The 2015 Paris Agreement triggering renewed interest in environmental taxes

Fifteen years after its first report on Taxation and the environment, the Council of Mandatory Contributions (CPO; see Box 1) turned its attention once again, in 2018-2019, to environmental taxes. Although this topic is covered extensively in the economics literature, it receives much less coverage from a public finances perspective. In the current climate, the subject has even greater significance, particularly in view of the climate policy ambitions stemming from the Paris Climate Agreement of December 2015, the EU’s energy and climate packages, and recent changes in French legislation.

Box 1 - Council of Mandatory Contributions (CPO)

The CPO is an institution associated with France’s Cour des comptes. It is responsible for assessing changes in and the economic, social and budgetary impact of all mandatory contributions, and for making recommendations on any matter relating to such contributions (articles L.351-1 et seq. of the Financial Jurisdictions Code). Chaired by the Premier président of the Cour des comptes, the CPO has 16 members: eight are senior Cour des comptes officials and the remaining eight are qualified individuals chosen for their professional experience by the heads of the National Assembly, the Senate and the Economic, Social and Environmental Council, and by the Ministers for Economics and Finance, Social Affairs and the Interior. The CPO’s Secretary-General (a Master Auditor (conseiller maître) at the Cour des comptes) acts as a ‘Master Auditor (conseiller maître) at the Cour des comptes. Based at the Cour des comptes, the CPO, like the Cour, operates independently of the Government and Parliament. As a multidisciplinary forecasting body, it relies on the independence of its members and the quality of its work to contribute to fiscal doctrine and expertise. Each of its studies or surveys is prepared by one or two general rapporteurs, in close coordination with the work of individual rapporteurs chosen for their expertise. Its general and specific reports are debated and published, and can be consulted on the Cour des comptes’ website: www.ccomptes.fr/CPO. The CPO is answerable only for the general report.

The Agreement sets ambitious goals to reduce greenhouse gas emissions by 40% by 2030 when compared with 1990 levels, to reduce those emissions by 75% by 2050, and to achieve carbon neutrality by 2050. To achieve those goals, France’s Parliament has implemented not only the European quota system for greenhouse gas emissions (ETS) but has also employed since 2014 a national taxation instrument, entailing a net increase in carbon taxes, as adopted in the 2018 budget (see Figure 1 for ‘catch up’ effects). Lastly, as such taxes are regressive, the question of consent to taxation also arises, as demonstrated by the gilets jaunes crisis that began in autumn 2018.

**Figure 1 - Comparison of environmental taxes in France and the European Union**

![Figure 1](image)

France’s environmental taxes - €56 billion in 2018, with energy taxes accounting for €46.6 billion, taxes on pollution and resources for €3 billion, and taxes on transport for €6.3 billion – all according to Eurostat’s definition and France’s national accounts - are dominated by fossil fuel taxes, accounting for €34 billion. The fiscal dynamic was consolidated by the creation of a carbon component in 2014, rapidly enabling France to reach the estimated European average share of environmental taxes in terms of GDP (2.4 points of GDP): the carbon tax rate increased from 0 to 44.6 €/tCO₂ in five years, between 2014 and 2018\(^1\), i.e. a considerably greater increase than was observed in Sweden over a 20-year period.

However, although it is responsible for less than 1% of global CO₂ emissions, France has found it difficult to achieve its reduction objectives. In its June 2019 report *Acting in line with ambitions. Annual report on carbon neutrality*, the High Council on Climate took the view that the rate of reduction was almost twice as slow as would be needed to achieve these objectives. The results of a specialised macroeconomic model used by the CPO\(^2\) show that increases in carbon taxes are inevitable if France wishes to achieve its climate objectives. Depending on the various scenarios for carbon tax increases, even if emissions fell from 5% to 18% in 2030 when compared with 2019, and from 29% to 34% in 2030 when compared with 1990, carbon taxes alone would not be enough to achieve the 40% reduction in 2030 when compared with 1990.

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\(^1\) The carbon component rate is frozen, in 2019 and 2020, at its 2018 level.

\(^2\) The ThreeMe model, developed by the French Environment and Energy Management Agency (ADEME) and the French Economic Observatory (OFCE) combines a classical macroeconomic approach with fine modelling for energy demand and greenhouse gas emissions.
Figure 2 - Contribution by carbon taxes to achieving France’s objective of cutting greenhouse gas emissions by 40% when compared with 1990

Although carbon taxes are effective at reducing emissions on French territory, they also boost imports of carbon products and ‘carbon leakage’: our simulations based on various scenarios for increases in carbon taxes show that France’s carbon footprint, which includes the carbon content of its imports, would fall considerably more slowly than national emissions due to greater imbalances in the trade balance for products with a high carbon content. We thus recommend that climate ambitions should be better protected at European level, in line with international trade law, by employing a trade protection mechanism vis-à-vis countries that do not cooperate in environmental matters. The CPO’s simulations also confirm that an increase in carbon taxes has the net effect of eroding the tax base and lowering yields from fossil fuel taxes in the medium to long term, thereby decreasing the likelihood of obtaining the ‘double dividend’ described by economic theory.

Our report does not confine itself to an overall approach based on the effects of carbon taxes on major macroeconomic, public-finance and climate-change policy equilibriums. It also examines the effects on households and businesses from a microeconomic perspective, with a view to proposing accompanying measures that could make such taxes more acceptable.

Thus, to measure the effects on households, we used a specialised microeconomic model. The Prometheus model, which was developed by the General Commissariat for Sustainable Development at the French Ministry for Ecological and Inclusive Transition, models household energy consumption for accommodation and fuel. When using this model the results confirm that the regressive nature of carbon taxes varies by residential area, depending on heating and transport costs. Factoring in household incomes by residential area shows that low-income households in rural or mid-size urban areas (up to 200 000 inhabitants) are more vulnerable to the effects of carbon taxes, even if the share of taxes in household energy bills has been falling constantly since 1995. Variations in energy bills are determined more by market prices for fossil fuels than by taxes, meaning that simultaneous increases in the market price for oil and in carbon taxes can be a sensitive issue, as was noted in summer 2018.
The corresponding analysis for businesses is more complex. Actual rates for carbon depend on:

- the tool used (tax or trading quotas);
- the energy product consumed and the associated carbon tax. Businesses account for 61% of national emissions, but for only 35% of the proceeds from fossil-fuel taxes; and
- on tax exemptions or reductions. The latter account for a total of €5.8 billion
- for the TICPE - domestic consumption tax on petroleum products - alone, to which can be added exemptions for the air and maritime transport sectors (€4.3 billion).

Combining all these parameters means that charges per sector vary considerably (see Figure 3), as do the types of fossil fuel used.

![Figure 3 - Distribution of carbon charges by major sector (2019 estimate)](image)

N.B.: mainland France; taxes include all taxes on fossil fuels; the steel sector is included in the energy sector. Provisional data.

With the freeze in carbon taxes adopted in the 2019 budget, France suspended the main tool it had belatedly introduced to cut the greenhouse gas emissions not covered by the EU’s emissions trading scheme. This suspension did not lead to limits being placed on environmental ambitions; indeed, the opposite: the already strict objectives were tightened even further with a view to achieving carbon neutrality by 2050. Reaching this target entails actively mobilising all environmental policy tools, while bearing in mind the lessons learned from the gilets jaunes protests of autumn 2018 as regards what is acceptable.

Several reasons to renew the legal framework

As CPO we believe that the upward trend in carbon taxes will inevitably resume, albeit not steeply enough to achieve the objectives that France has set itself. However, we stress the importance of avoiding sudden, sharp increases, and of ensuring that the tax base is broadened by calling into question certain tax expenditure which may have a negative effect on the climate and which may resemble subsidies for the use of fossil fuels. We think that these changes must be encouraged by renewing the legal framework for taxing energy, in particular the EU Directive of 27 October 2003 establishing a
harmonised system of carbon taxes and calling into question exemptions for the air transport and maritime sectors.

The CPO places particular emphasis on the acceptability of and consent for carbon taxes, both of which issues are particularly sensitive given the regressive nature of such taxes for households and their major impact on production costs. The authorities must ensure first and foremost that the system they implement is transparent in terms of its environmental objectives and the path followed to achieve them. We CPO recommend here that carbon taxes should be uncoupled from taxes on fossil fuels. Transparency in the way revenue is used is equally important, even if such use does not necessarily have to be specified by law. Transparency must be guaranteed both ex ante (by specifying medium-term objectives) and ex post.

**Bringing all scenarios and parameters into the public debate**

In the end, the question of direct compensation for those households which are hit hardest by increases in carbon taxes is a vital one. We assessed the issue on the basis of criteria relating to household income, location and mobility, while ensuring that incentives for changes in behaviour were maintained. Empirical work has shown that increases in energy prices lead to lower consumption, and that such increases were more significant in the long term than in the short term. Thus, the price elasticity of fuel consumption by households in France is estimated as being between -0.25 and -0.45 in the short term and between -0.6 and -0.7 in the long term.

For the first time, the CPO’s work made direct use of two economic models, which enabled us, with full independence, to consider all calculation scenarios and parameters and so contribute to public debate and decision-making.

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**Box 2 - Eight recommendations of the Council of Mandatory Contributions’ report**

1. Resume the upward trend in carbon taxes by setting them on a medium- and long-term path that is transparent and consistent with environmental objectives; and broadening their tax base by eliminating or reducing tax expenditure (exemptions, refunds, rate reductions).
2. Make the carbon component an autonomous and visible fiscal instrument by distinguishing it – or even uncoupling it – from energy taxes.
3. Ensure that carbon taxes are more effectively linked to other environmental, fiscal and non-fiscal policy tools, especially legislative instruments and the European market for greenhouse gas quotas.
4. Depending on the path chosen for carbon taxes, link them to a compensation arrangement for the households that are hardest hit – in particular those on low incomes – to encourage them to accept carbon taxes and adjust their behaviour accordingly.
5. Ensure that the proceeds from carbon taxes are used transparently.
6. Support initiatives to review the EU Directive of 27 October 2003 on energy taxation, so as to create a harmonised European framework for carbon taxes and strengthen links with the European market for greenhouse gas quotas.
7. Support European initiatives to implement a single customs duty on imports from countries that do not cooperate in environmental matters.
8. Promote the elimination of the tax exemption on fuel for international air and maritime transport vis-à-vis the International Civil Aviation Organisation and the International Maritime Organisation; strengthen the commitments entered into with these organisations regarding cuts in emissions of pollutants; failing which, support the elimination of energy tax exemptions for both sectors and establish a mechanism for taxing carbon emissions as part of the review of the EU Directive of 27 October 2003 on energy taxation.
The ECA – contributing through different public audit platforms to cooperation on environmental auditing

By Samo Jereb, ECA Member

Enhancing accountability and contributing to a learning government are key objectives that supreme audit institutions share throughout the world, also when it comes to climate change. Both the international and European organisations of public audit institutions, known under their acronyms INTOSAI and EUROSAI, have created working groups to share experiences and undertake common action when assessing governmental action on climate change. For several years the ECA has played an active role in these working groups. Samo Jereb, ECA Member since May 2016 and particularly involved in audits on climate change action, explains why the ECA participates in these platforms, what kind of issues are discussed and how cooperation is likely to evolve.

Working groups on environmental audit helping public auditors to address environmental issues

With the emerging environmental problems and environmental policies becoming an important part of governments’ integral policy packages, supreme audit institutions (SAIs) from all over the world have recognised the need to include environmental topics in their audit programmes. Before the turn of the millennium, both the International Organisation of Supreme Audit Institutions (INTOSAI) and the regional branch most relevant for the EU, the European Organisation of Supreme Audit Institutions (EUROSAI), established working groups on environmental auditing (WGEAs) to help SAIs recognise and address, through their audits, the most salient environmental issues. While the INTOSAI WGEA (IWGEA) mainly aims to facilitate SAIs’ work by providing guidance, research and training materials on auditing different environmental topics (for more details see page: https://www.environmental-auditing.org/), the EUROSAI WGEA (EWGEA) is oriented mostly towards delivering practical trainings, exchange of information between SAIs and cooperative projects on highly relevant environmental topics. Both WGEAs also issue a newsletter twice a year (see for example the IWGEA Greenlines newsletter and the EWGEA most recent newsletter) presenting major environmental topics and bringing news from the SAIs.

The ECA is actively contributing to the development of WGEAs

The ECA has been cooperating with both working groups since their establishment. While the ECA was one of the initial members of the IWGEA, at the turn of the century we began to cooperate more closely with the EWGEA. However, in the past six years, our cooperation with the INTOSAI WGEA has also intensified. The ECA was a member of the steering committees of both the EWGEA and the IWGEA, until 2019 and 2020 respectively, and will continue to participate in both steering committees in the working period to come. Thus, the ECA, which has extensive experience of audits on different environmental issues by now, has the possibility to contribute to the implementation of the strategies of both WGEAs. We do so by sharing our experiences, exchanging good practices and intensifying communication with European SAIs, as well as with SAIs from all over the world.

Examples of ECA input in the period till 2020

Contributing to EWGEA activities

Since 2017 we have been actively involved in the EWGEA’s annual and steering committee meetings and in the thematic trainings sessions, organised each spring. The ECA’s major responsibility from 2017 until today has been the organisation of the Joint Biodiversity Conference and the 17th annual meeting of the EWGEA, together with the SAI of Estonia, which heads the Secretariat of
the EWGEA. This joint conference was held at the ECA’s premises in Luxembourg from 22 to 24 October 2019. The biodiversity conference addressed the most important threats in the field of biodiversity and provided insight into more specific topics. During the subsequent annual EWGEA meeting, to set the scene, we invited recognised European keynote speakers to present the most important current trends and specific problem areas in the field of biodiversity. Professor David Kleijn from Wageningen University and Ariel Brunner from Birdlife Europe and Central Asia presented the status of biodiversity in Europe and the key threats to it. Anne Teller from the European Commission’s Director-General for Environment spoke about the results of the European Union Biodiversity Strategy until 2020. Eva Viestová from the Slovak Ministry of the Environment provided an insight into biodiversity protection in Slovakia and Janica Borg from the World Wide Fund for Nature talked about improving the status of marine biodiversity in Europe. Pasi Rautio, from the Natural Resources Institute of Finland addressed threats to, and protection of, biodiversity in forests.

The Joint Biodiversity Conference continued with group discussions to help SAIs identify possible topics for their future audits on biodiversity. Opinions were exchanged in six groups on forest, marine and soil biodiversity, on pollinators, on biodiversity on agricultural land and on ecosystem services. Each group mapped the major risks in the area discussed and proposed potential audit questions to address the identified risks.

During the 17th annual meeting, directly following the biodiversity conference, member SAIs presented their experience from national and cooperative audits on different biodiversity topics. Discussions were held on possible future cooperative tasks and the annual meeting was wrapped up with a steering committee meeting collecting ideas for the group’s strategy for the period until 2023.

As one of the most important goals of the EWGEA is to encourage cooperation between SAIs, discussions on possible future cooperative audits were held on the topics of climate change adaptation, implementing the ‘polluter pays principle’ and electronic waste. The participants showed great interest in cooperation on auditing treatment of electronic waste, as flows of electronic waste, originating from Europe, often end up in Africa or Asia, where they cannot be dealt with adequately and cause global threats to the environment. The project will be led by the ECA and has been included as a cooperative activity in the strategic plan for the period 2020-2023.

Contributing to IWGEA activities

In the period 2017-2019, the ECA contributed to the working plan of the IWGEA by leading the research project on visibility of environmental auditing,\(^1\) co-leading the training project on greening the SAIs\(^2\) and participating in the subgroup to the project on auditing biodiversity.\(^3\) For more information on the results of the research project on visibility of environmental auditing, see page 66.

The training project on greening the SAIs we conducted in cooperation with the Estonian SAI was aimed at promoting integration of the environment and sustainability concerns into the SAIs' own internal management and practices, in order to make their workplace more environmentally responsible and resource-efficient. Training materials are mainly based on the experiences of the ECA with introducing the environmental management audit system (EMAS) – for more information, see page 200 - and of the SAI of Estonia with implementing green office principles. The training project was designed as the continuation of the research paper on 'Greening SAIs',\(^4\) completed by the IWGEA in 2016. The training includes a one-day interactive training session, organised in 9 modules (see Figure 1) following the stages in the recurrent process of the environmental management system. The one-day training event was held on 5 August 2019, in connection with the INTOSAI WGEA Assembly Meeting in Thailand. The meeting was attended by 32 participants from 19 SAIs. In the post evaluation, the participants assessed the meeting as highly relevant to their work at the SAIs, and indicating a preference to develop it as an e-learning tool in the future.

Figure 1 - Training tool on greening SAIs: stages of implementing an environmental management system

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The ECA – contributing through different public audit platforms to cooperation on environmental auditing

The ECA’s future engagement in the work of WGEAs

The EWGEA is currently drafting its strategy and action plan for the period until 2023. The general directions of the working group remain the same: facilitate exchange of experience in environmental auditing and encourage cooperation between SAIs. The ECA will focus on cooperative tasks, as we will lead the audit on electronic waste. The second cooperative project on plastic waste will be led by the Polish SAI. For this project, too, we will offer to share our experience from the currently ongoing review on plastics.

The IWGEA has already adopted its work plan for the period until 2022. The work will be centred around seven work packages, of which three are directly linked to topics on climate finance, plastics and sustainable transport. These three work packages will also contribute to the follow-up and review of the SDGs and to providing support for auditing the environmental SDGs. The ECA will participate as a member of the subgroup for the project on climate finance in the ongoing review on plastics and in several audits on sustainable transport. Sharing experience with projects on plastics and sustainable transport will also be possible. Currently the project leaders and subgroup members are discussing ways of cooperating and the expected outcomes of the projects.

We at the ECA consider the activities of both the IWGEA and the EWGEA to be highly relevant and thematically closely related to the ECA’s strategic priorities for future work in the field of environmental auditing. We will therefore continue our involvement in their steering committees. We see several benefits in sharing our audit practices and methodologies with various SAIs from all over the world. We certainly want to play our part, sharing – through these working groups – our input and advice with policy makers and citizens in Europe and beyond, contributing to a sustainable and climate friendly future.
European public auditors join forces to carry out a cross-country examination of the effectiveness of measures promoting air quality

By Katarzyna Radecka Moroz, Polish ECA Member’s office, and Jolanta Stawska, Supreme Audit Office of Poland

Air pollution, as invisible as it sometimes may be, can have quite an impact on people’s lives. In the EU each year, about 400 000 people die prematurely due to excessive air pollutants. On top of that, you have many other harmful effects. No wonder the EU and many European countries have legislation to promote clean air and safeguard their citizens. Sixteen supreme audit institutions have cooperated to produce a joint report on air quality, prepared under the auspices of the Working Group on Environmental Auditing of the European Organisation of Supreme Audit Institutions (EUROSAI). Jolanta Stawska, Director of the Kraków office of the Supreme Audit Office of Poland, and Katarzyna Radecka-Moroz, attaché in the Polish ECA Member’s office, provide some insights into the making of this joint report, which was published in January 2019.

Creating a comprehensive picture of the state of air quality across Europe

The joint report provides a comprehensive summary of the audits on air quality performed by the 16 participating supreme audit institutions (see Figure 1), both from audit offices in the EU and its Members States, including the ECA, and beyond. The SAIs of the Netherlands and Poland coordinated the work, carried out on the basis of a common framework, setting out the audit questions and the main areas of interest. The main conclusion of the joint report comes as no surprise, and also echoes the message in the ECA’s special report 23/2018 on this topic. European citizens still breathe polluted air and shoulder the associated health impacts, as most of our countries still fail to meet minimum air quality standards.
European public auditors join forces to carry out a cross-country examination of the effectiveness of measures promoting air quality

The project kicked off in June 2018. During the two years that it lasted, it went through different phases, which were not always smooth. However, in our opinion, the benefits of this cooperation are priceless, and worth the effort. We will try to take stock of the most important ones. There are two main angles to this project: the first concerns the cooperation process as such, with all its lessons learned and difficulties encountered. The second concerns the problem of air pollution and the contribution of the joint report to the battle against it.

Taking the rough with the smooth

This project required skilful coordination and unusual determination from the coordinators and all its participants. Just imagine: 16 different institutional partners, having their own different governance processes, auditing the complex problem of air pollution in countries faced with a wide variety of challenges. On top of that, while the EU participants at least had EU law as a common denominator, others, such as Albania or Israel, were operating within a completely different legal regime. But thanks to that, this project is a precious mine both of information and of lessons learned. These lessons provided us with the knowledge of how to organise and lead such complex work to produce joint audit findings, what is needed and what traps could potentially be avoided in the future.

Gathering the results of the national audits and synthesising them into the analysis in the joint report was, for various reasons, a rather difficult undertaking. That we managed to do so is without doubt due to cooperation on the basis of high standards and, quite simply, the strong sense of partnership between the representatives of all the SAIs involved. However, we also want to point out a few challenges which, to varying degrees, regularly cropped up during work on data analysis and presentation.
The first challenge was that of differences between countries’ data collection and reporting methodologies. This would seem to be an obvious consequence of differences in countries’ internal regulations that we will have to live with, if reluctantly. The problem is much more significant, however, when it comes to submitting data to the European Environment Agency (EEA) or to Eurostat, the EU’s statistical office. A large-scale project such as this joint report on 16 parallel audits entailed referring both to data from national reports and to data presented by the EEA on air quality problems. We approached these analyses with great caution, but one could not help noticing that their data sometimes differed. There may be many reasons for this. The main one is that SAIs conduct their audits based on their own methodology, not on the methodologies for data collection by administrative bodies. These audits are often far more in-depth than methodologies for reporting to statistical authorities allow. Finally, it is important to point out that European rules sometimes leave considerable leeway in choosing reporting methodologies.

What conclusions can we draw from this? Firstly, if the public statistics presented at EU level are to be used as a basis for drawing conclusions, we need to strive for as much certainty – integrity of the data – as possible and hence, harmonisation of data collection and qualification. This implies a tightening of the rules. It might therefore be worth looking at common rules on this. This applies to EU countries, but countries seeking cooperation or accession should also follow suit. And, of course, this applies to various policy areas, not just air quality.

Secondly, differences in the approach to data collection and reporting should be subjected to serious analysis by the relevant authorities of each country, but also by their SAIs, who, after all, are the ones auditing the various areas on an ongoing basis. Hopefully, any feedback from analysis following the audits will at least draw attention to the risks in this regard.

Thirdly, and following on from the previous conclusion: there is still much scope for cooperation between national SAIs and national statistical authorities.

The second challenge concerns the differences between quality assurance processes. One would think there should not be any major problems in this regard, given that all the SAIs involved have accepted and implemented audit standards, also known as ISSAIs - the International Standards for Supreme Audit Institutions. Existing standards for cooperation on audit projects, though, do not seem to address this issue of quality assurance adequately. Nevertheless, this is the second-biggest factor - after lengthy and extensive national audits - in making international projects such as the one on air quality extremely time-consuming. It would be good to gather past experiences in this area and use, for example, a dedicated EUROSAI group as a forum for discussion, to adopt common solutions and guidelines for the future to minimise the risks involved in such projects.

Incidentally, trying to address this second challenge might be a valid argument for inspiring EUROSAI to set up a Working Group on the implementation of quality standards. Undoubtedly, SAIs are employing various solutions and there are plenty of examples of good practice to be gathered. Sharing experience would not only be a good source of knowledge for the SAIs involved and foster quality assurance and quality control with regard to their audits, but would also build mutual trust and create practical solutions for large-scale joint audit projects, such as the one on air quality or the current project on management of plastic waste.

The ECA contributed to the project with the results of its own special report. Together with the Polish SAI we also facilitated the presentation and promotion of the report in Brussels. Preparation of the ECA’s input into the common text required establishing ad-hoc internal procedural paths. If there are more such projects in the future, we think it would be useful to establish a set of guidelines on managing these projects, in order to harmonise the entire process and make it more efficient.
European public auditors join forces to carry out a cross-country examination of the effectiveness of measures promoting air quality

Air pollution – our common problem

The report was an important contribution to the battle against poor air quality. An important finding was that in all countries examined, except for Estonia, the efforts already undertaken have not yet yielded the expected results. It means that the air we breathe is still at odds with the guidelines of the World Health Organisation, forcing us to face the resulting adverse impact on our health.

Thanks to the audit work, we identified legislative gaps, as in some cases there did not even seem to be any policies addressing the problem. We pointed out that, often, institutional players do not coordinate their work, and the measures devised are not supported by sufficient budgets. We also criticised the monitoring systems, indicating that the quality of the air is not always checked where it should be. Finally, we demonstrated that the public does not always have access to reliable information on air quality, which limits their right to take informed decisions.

The joint report and its underlying national audits helped raise awareness about the problems. Many of the participating SAIs organised intensive communication campaigns, promoting the results of the report and urging their authorities to take action. In some cases, this has already produced some benefits (see Box 1). Many regions introduced effective actions aimed at reducing air pollution and the joint report also helped share such good practices.

Finally, the joint report, together with the ECA special report, contributed meaningfully to the REFIT conclusions – the European Commission’s regulatory fitness and performance programme¹ - concerning the Ambient (outdoor) Air Quality Directive, which is the cornerstone of the EU legislation devoted to this issue. In the European Commission’s working document,² you can find numerous references to both publications, supporting changes we recommended, which is very rewarding.

Making air waves

For many of us it is clear that cooperation in the field of the environment is particularly important. Most environmental pressures are of a transboundary nature, and therefore cooperation beyond borders helps enormously to identify and tackle the problems effectively. This goes for SAIs as for many other actors in this policy area. Thanks to the diverse representation of the participating SAIs in this project, we have broadened understanding of the importance of air quality, underlining its cross-border dimension and the necessity of working together. Thanks to the sharing of good practices locally, the jointly agreed conclusions and recommendations have the potential to improve

¹ Through the REFIT programme the European Commission aims to ensure that EU legislation delivers results for citizens and businesses effectively, efficiently and at minimum costs, trying to keep EU law simple.
² https://ec.europa.eu/environment/air/quality/aqd_fitness_check_en.htm
the situation in particular countries and regions. The result of the common work, the joint report, and its corresponding national audits, contributed to the worldwide battle against air pollution, and the first effects of its impact have already been acknowledged, both in and outside the EU.

Participation in the joint project on air pollution was a very exciting, yet demanding task. It required huge coordination efforts from all its participants, and especially from its coordinators. It helped build the network among SAIs particularly interested in this issue.

What did individual SAIs and countries get out of the air quality project? It seems to have given them, for the first time, the sense of a completely shared purpose – to do everything in their power to promote clean air in Europe and worldwide. Perhaps even more than in other policy areas, it is clear that here we do not have two adversaries - the auditors and the auditees. Clearly, everyone is on the same side, acting in both the general interest of the community as a whole and in the individual interest of every citizen.

Also, to some of the non-EU countries, this was a good opportunity to showcase EU regulations and practices and to present to the public the problem of air pollution, which has only recently risen to prominence in the mind of the average European citizen. Hopefully, the problem has gained prominence in the minds of the authorities in every country, thanks in part to the parallel audits by the SAIs.

The air quality project was an invaluable one in terms of building a spirit of cooperation and mutual support in raising audit quality. It should be remembered that for all the auditors involved, especially coordinators, this was an additional task on top of their regular duties, one which demanded passion, courage and an innovative approach, a task that provided great satisfaction, but also experience for the future, which we hope will be used on projects going forward. Particularly projects related to the environment and climate change qualify for that, in view of the common interest we have in these areas.
Public auditors from around the world working together for a common sustainable future - the INTOSAI Working Group on Environmental Auditing

By Vivi Niemenmaa, National Audit Office of Finland

Over the last 30 years, the INTOSAI Working Group on Environmental Auditing has become the largest thematic grouping of public auditors around the world (see Box 1). The growth of our group reflects the rise of environmental concerns from marginal topics to mainstream questions, as the environment and, more recently, climate have become institutionalised as an important policy field. At the same time, people have started to better understand the indirect economic impacts of the environment and particularly the economic and financial risks related to climate issues.
Good topic for international cooperation

Environment and climate are an auspicious area for international cooperation. First, environmental problems do not respect borders. For example, plastic waste floats around the oceans and ends up far away from the point where it was originally dumped. Ecosystems extend across borders, and greenhouse gases are global in nature from the outset: it makes no difference where you release them, they end up in our common atmosphere. However, some regions are more affected than others. Vulnerability and global justice are at the heart of sustainable development, which is also a topic with a long history at the INTOSAI WGEA.

Second, due to the global nature of environmental problems, there are plenty of multilateral environmental agreements. These agreements can act as an important source of inspiration and audit criteria for SAIs. Even if a government is not a party to a convention, the convention can act as a best practice model and a benchmark.

Multilateral environmental agreements often provide a good starting point for cooperative audits. In the six INTOSAI WGEA regions, several cooperative audits have been conducted over the years. Cooperative audits have been conducted on biodiversity in the Congo basin forest (AFROSAI), protected areas in Latin America (OLACEFS), climate change adaptation in the Pacific Area (PASAI), the water environment in Asia (ASOSAI), air pollution in the Arab region (ARABOSAI) and energy efficiency in Europe (EUROSAI), to mention just a few.

Evolution of INTOSAI WGEA topics

Figure 1 (see next page), the WGEA tree, provides an overview of more than 50 publications that the INTOSAI WGEA has published over the years. The very first publications addressed natural resource accounting and discussed cooperation among SAIs in auditing the international environmental accords. They were both updated later and are still relevant topics for SAIs.

The work evolved to include waste and water issues (2004). These publications were updated later and also include methodology development. For example, the 2013 publication on water issues includes an ample toolbox of methods that have been successfully applied by SAIs.

The interests of the Working Group grew to include biodiversity (2007) and climate change as well as energy topics (2010). The INTOSAI WGEA has also addressed natural resource topics from mining to agriculture. Moreover, the 2013 publication included the specific issue of fraud and corruption in environmental and natural resource management. An additional “branch” of WGEA activities includes publications loosely related to data, for example on environmental impact assessment and market-based instruments.

In the ‘roots’ of the tree, one can find contributions related to the SAIs’ own work, such as papers providing tips for SAIs conducting cooperative audits and inspiration on how SAIs could pay attention to their own environmental impact and increase their visibility through effective communication.

Finally, there is a body of work related to professional standards, including the International Standards of Supreme Audit Institutions (ISSAI) documents, currently known as INTOSAI Guidance (GUIDs) on environmental auditing. All these publications are available at: https://wgea.org/publication/.
Public auditors from around the world working together for a common sustainable future - the INTOSAI Working Group on Environmental Auditing

Figure 1 - INTOSAI WGEA publications tree

INTOSAI WGEA
Publications 1998-2019

Guidance
Training
Research papers
WGEA work on sustainable development

The INTOSAI WGEA published its first report on sustainable development in 2004, over ten years before the launch of Agenda 2030 and the Sustainable Development Goals (SDGs). The first publication was an ISSAI Guidance Document on the role of SAIs in sustainable development. The perspective it offers is still relevant today: it is about future generations, involves social, economic and environmental elements and has a global dimension.

After that, the Working Group produced several publications on sustainable development, the most recent being a discussion paper on the SDGs in the context of environmental auditing (2019). Among other things, it presents common findings and challenges identified in audits on the SDGs, including funding, the institutional frameworks, policy coherence, and the gap in the availability and reliability of information and data. The discussion paper concludes by posing questions on how to adapt environmental auditing in the broad context of sustainable development and in the specific context of the SDGs. This is where the Working Group will continue its work from now, as we strive to further develop understanding of those SDGs with environmental roots. One key element here is policy coherence and synergies between various SDGs. In addition, we hope to support the INTOSAI Strategic Plan’s crosscutting goal to contribute to the follow-up and review of the SDGs.

Current focus areas: plastic, transport and climate finance

According to our vision, the INTOSAI WGEA aims to achieve a common sustainable future through innovative environmental auditing. The key goals of the current Work Plan 2020–2022 are increasing expertise in environmental auditing globally and enhancing environmental governance with high-quality contributions and visibility. A cross-cutting theme in the Work Plan is the environmental SDGs from the public finance perspective.

The Working Group will concentrate on three focus areas and link them with the SDGs:

- the first focus area is plastic waste, which, on the one hand, fits into the continuum of the waste-related activities of the WGEA. On the other hand, it represents an environmental and health concern that has sprung relatively quickly to the public’s attention. More broadly, it is connected with the discussion of the circular economy. Although the SDGs are interlinked, the topic covers SDG 12 on responsible consumption and production. The SAI of India is leading this work package;

- the second focus area is sustainable transport, which is led by the SAIs of China, Indonesia and Thailand. Transport is a novel area for the environmental Working Group, and this provides an opportunity to build cooperation with auditors who might be working in different units in an SAI. Transport does not have a dedicated SDG but is linked to several of them. Urban mobility topics are clearly linked to SDG 11 on sustainable cities and communities, but particularly larger scale transport projects can be closely linked to other SDGs as well;
the third focus area is *climate finance*. The work package related to this area will concentrate on international financing, and aims to achieve the United Nations Framework Convention on Climate Change’s (UNFCCC) target of USD100 billion annual funding for actions to mitigate or adapt to climate change. The SAI of the USA is leading this work package. The topic is linked to SDG 13 on climate action and specifically to SDG 13a on mobilizing funding. In the global setting, we have the possibility of including both the donor and recipient country perspectives in our work.

*WGEA focus on climate*

The project on climate finance is not the first WGEA project on a climate topic. In 2010, the WGEA published a guidance document on auditing climate change as well as an e-training package. That was when the Working Group also undertook a global, coordinated audit on climate – so far, the only global cooperative audit effort with participants from various regions. After that, the scrutiny moved to adaptation to climate change and ocean acidification in the marine environment (2016). In 2019, the INTOSAI WGEA published a research paper on resilience and adaptive capacity to climate-related hazards. All these publications include audit examples and practical tips related to audit approaches and methods.

The 2019 publication integrates climate change adaptation and the UNFCCC, the SDGs and the *Sendai framework* for disaster risk management. It identifies audit criteria from the UN SDG indicators on SDG 13.1 on strengthening resilience and adaptive capacity to climate related hazards and natural disasters, SDG 1.5 on building the resilience of the poor and those in vulnerable situations, SDG 11.5 on reducing the number of deaths and the number of people affected and the economic losses, with a focus on protecting the poor and people in vulnerable situations, and Sendai Framework Target E (substantially increase the number of countries with national and local disaster risk reduction strategies).

Additional INTOSAI WGEA actions during 2020-2022 include a strong focus on capacity building and training, such as Massive Online Courses (MOOCs). Besides publications, meetings and workshops, one tool for experience sharing is the database on environmental audits, which provides a unique opportunity for benchmarking and data mining: see wgea.org/audit/.

*Keeping a close eye on the Rio Process*

As I indicated before, the INTOSAI WGEA was founded in 1992, the year of the first big United Nations Summit on Sustainable Development, the Rio Earth Summit. Besides the Rio Declaration, the meeting adopted important environmental agreements: the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD).

Today, these conventions are more topical than ever. In the spirit of the Rio Process, the INTOSAI WGEA wishes to help SAIs around the world to push their governments towards impactful environmental policies, towards addressing policy needs identified in the past… which are essential to a common future.
How protected are protected areas?
Coordinated audits on protected areas, led by the Brazilian SAI

By Adriano Martins Juras, Carlos Eduardo Lustosa da Costa, Dashiell Velasque da Costa, Federal Court of Accounts of Brazil

Cooperation on the environment and climate change action is a global issue, also for auditors. In and between several regions in the world, public auditors are cooperating to provide independent and comprehensive assessments on how commitments and obligations are fulfilled and to what extent progress is being made. Such work is also being done on sensitive ecosystems which contribute to biodiversity. Recent examples of these efforts are the ongoing and previous coordinated audits of several Latin-American SAIs, led by the Federal Court of Accounts of Brazil, the TCU. Carlos Eduardo Lustosa da Costa - Director of the environmental audit area at the TCU - Adriano Martins Juras and Dashiell Velasque da Costa - both Federal External Control Auditors at the TCU - explain below how these audits in Central and South America were done, zooming in on some of the main results to date - because this audit cooperation is far from over.

Public auditors bundling forces to look at cross-border issues relating to climate change

Supreme audit institutions (SAIs) play an important role in the implementation of the 2030 Agenda for Sustainable Development, and other international agreements, by assessing the efficiency and effectiveness of public policies, by ensuring sound use of public resources, and by promoting accountability, transparency and good governance in public administration. The importance of this work has been explicitly recognized by the United Nations General Assembly (Resolutions 66/209, 2011, and 69/228, 2014). This mission of SAIs goes beyond the more widely known audits of government accounts and extends to the evaluation of public policies.

Moreover, coordinated audits are a strategic mechanism to approach cross-border issues, such as environmental issues, involving several SAIs. In that context, the establishment and management of protected areas (PAs) is one central strategy within the measures related to biodiversity conservation and climate change mitigation, and such areas include relevant environmental assets that could benefit from the independent and systemic analysis conducted by SAIs.

18 SAIs in 17 countries are participating in the Coordinated Audit on Protected Areas, an ongoing project headed by the SAI of Brazil (the Federal Court of Accounts - TCU), under the Special Technical Commission on the Environment (COMTEMA) of the Latin American and Caribbean Organisation of Supreme Audit Institutions (OLACEFS). In addition to protected areas, COMTEMA’s strategic plan for 2020-2026 includes other high-priority environmental themes: biodiversity, climate change, sustainable public procurement, environmental accounting, Sustainable Development Goals, environmental liabilities and water resources.
We see the COMTEMA’s Coordinated Audit on Protected Areas as a contribution by SAIs to the implementation of the Aichi Biodiversity Targets and the 2030 Agenda for Sustainable Development. Below we will provide, respectively, general information on the audit, the audit methodology, and contributions by Brazilian Amazonian PAs to conserving biodiversity and mitigating climate change, followed by some closing comments.

**Coordinated Audit on Protected Areas**

The establishment and effective management of a system of protected areas is the cornerstone of conservation policies aimed at preserving natural habitats and protecting biodiversity worldwide. The degradation of ecosystems, and consequently of the services they provide, has a direct impact on the lives of millions of people that depend directly on nature for their livelihoods and has serious consequences for climate change, global food security, and health.

In that sense, the United Nations Convention on Biological Diversity (CBD) has three main goals: conservation of biological diversity; sustainable use of its components; fair and equitable sharing of the benefits arising from the use of genetic resources (CBD, Article 1). The CBD has a ten-year-long strategic plan (2011-2020) with 20 targets, also known as the Aichi Targets. The protected areas play a crucial role within this framework (CBD, Article 8), and the strategic plan addresses the conservation of 17% of terrestrial and inland water and 10% of coastal and marine areas through effectively and equitably managed, ecologically representative and well-connected systems of protected areas and other effective area-based conservation measures (Aichi Target 11).

The 2030 Agenda for Sustainable Development is coherent with CBD objectives and the Aichi Targets. The Sustainable Development Goals (SDGs) 14 and 15 address the conservation of oceans and marine resources and the conservation and sustainable use of terrestrial ecosystems biodiversity, including fighting deforestation.

As part of the work to be performed during the 2018-2020 term of office, COMTEMA, presided over by the TCU-Brazil, decided to conduct a coordinated audit on protected areas, the main objective being to assess the management of protected areas in the participating countries using the Aichi and SDG targets as the main context, and national legislation as audit criteria. Through this audit, COMTEMA is seeking to carry out a systemic analysis of protected areas, to determine to what extent each country has met international targets, and to examine the integration of this public policy with other related ones.

This work builds on the previous audit on protected areas, led by the TCU-Brazil and the SAI of Paraguay in 2014 and 2015. At that time, 12 SAIs evaluated 1,120 protected areas, which allowed for the elaboration of an unprecedented diagnostic at a regional level regarding public policies for the conservation of biodiversity.
18 SAIs are taking part in our ongoing coordinated audit: 15 Latin-American SAIs –11 of which participated in the previous coordinated audit, two European SAIs (Portugal and Spain), and one subnational audit institution. The audit is coordinated by the TCU-Brazil and has technical and financial support from German cooperation through the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH, under the OLACEFS-GIZ Project ‘Strengthening of external financial control in the environmental field’.

The planning phase of the audit has been concluded, and all participating SAIs are at the execution phase. Currently, the impacts of the Covid-19 pandemics on the coordinated audit are under assessment by the TCU-Brazil. Under these new circumstances, the results of the coordinated audit are expected in the first semester of 2021, including an Executive Summary with consolidated data and results, individual audit reports for each SAI, a global INDIMAPA showing all participating countries (see example in *Figure 2*), as well as individual INDIMAPAs for each SAI; among other communication products, such as infographics, two-pagers and videos (as mentioned in *Box 1*).

**Audit methodology: INDIMAPA and FSDL**

Participating in a coordinated audit is important not only for comparing data and results, but also for sharing knowledge and experience, especially regarding audit methodology. Through international cooperation, auditors are invited to work in a collaborative environment and learn from one another, taking back home new perspectives on their daily duties. In the ongoing coordinated audit on protected areas, we decided to use two innovative methodologies: the INDIMAPA and the FSDL Analysis.

*INDIMAPA* stands for Index of Implementation and Management of Protected Areas and is a geospatial presentation tool for the consolidated results of the audit, allowing simple and quick understanding. This methodology makes use of indexes and indicators relating to the implementation and management of protected areas, which help evaluation, communication and monitoring of the results. INDIMAPA allows individual evaluations for each PA, by means up to 13 indicators (see *Figure 1*) that reflect different aspects of the management and the implementation of PA. These results are shown in georeferenced maps to indicate the stage of management and implementation of each PA in three colours: green, yellow and red (see *Figure 2*).

**Figure 1- INDIMAPA’s 13 indicators**
in the ongoing audit, thus being able to carry out objective monitoring of how public policy has unfolded and whether previous recommendations have been implemented by governments. The other seven participants will use the same methodology to assess their own protected areas, adding their results to the systemic picture and establishing a baseline for future evaluations.

**Figure 2 - INDIMAPA 2014 results for Latin American protected areas**

INDIMAPA was created by the TCU-Brazil, based on other tools for evaluating PAs, such as the Rapid Assessment and Priorisation of Protected Area Management (Rappam) developed by the World Wide Fund for Nature (WWF), and the Management Effectiveness Tracking Tool (METT) developed by the World Bank.

On the other hand, the FSDL Analysis is a tool used to evaluate relations between different public policies. FSDL stands for fragmentation, overlap, duplication and gaps, according to the respective words in Portuguese and Spanish. This methodology was first used in the coordinated audit on the preparedness of Latin American governments to implement the SDGs (see Infographics, Two-pager, and Executive Summary). FSDL was adapted by the TCU-Brazil based on the guide for identifying and evaluating instances of Fragmentation, Overlap, and Duplication developed by the United States Government Accountability Office (GAO).

In a wider perspective, the INDIMAPA helps analyse the protected areas, whereas the FSDL Analysis enables us to examine the relations between the protected areas public policy and other public policies. Combining the results of both methodologies, the audit team will be able to assess this public policy from different and complementary angles.

**The role of Brazilian Amazonian protected areas in conserving biodiversity and mitigating climate change**

In the 2013 audit on protected areas (PAs) in the Amazon biome, besides evaluating implementation and management of these areas in Brazil - used as input for the 2014/2015 coordinated audit - the TCU aimed to understand how successful PAs were in protecting biodiversity and contributing to climate change mitigation. To achieve this, we assessed deforestation and greenhouse effect gas emission in the Amazon biome in the previous years. We assessed deforestation warnings in the Amazon biome between 2008 and 2012, utilizing data produced by the then Brazilian Ministry of Science, Technology and Innovation. We compared deforestation rates from both inside and outside PAs and found that the probability of deforestation occurring outside PAs in that timespan was 5.3 times as high as inside PAs.
As for greenhouse effect gas emission, the TCU assessed anthropic carbon dioxide (CO$_2$) flows in the Amazon biome between 1996 and 2006 caused by changes in land use and land cover above the ground. The assessment showed that most of the Brazilian PAs in the Amazon biome removed CO$_2$ from the atmosphere during the period analysed, contributing to mitigating the gas released from areas outside those territories. Whereas PAs removed an average of 1.9 tC/ha (tons of carbon per hectare), external areas released an average of 7.11 tC/ha. The assessment was carried out by comparing land use and cover information produced by the Brazilian Institute of Geography and Statistics in 1996 and 2006 and by following methods from the *Good Practice Guidance for Land Use, Land-Use Change and Forestry*, by the International Panel on Climate Change (IPCC).

In our audit we concluded that protected areas are an *effective strategy for preventing deforestation and reducing greenhouse effect gas emission*, thus contributing to climate change mitigation. We also advised that the Brazilian government should keep existing policies for deforestation prevention and even strengthen them, or risk reducing Amazonian biodiversity and losing the climate-related benefits provided by the forest.

The results of these analyses are illustrated by the maps in Figures 3 and 4, which can be found in the *Executive Summary* of this audit, see also Box 2.

**Figure 3 - Deforestation warnings 2008-2012**
How protected are protected areas? Coordinated audits on protected areas, led by the Brazilian SAI

Coordinated audits improving oversight and impact information on cross border issues

Cross-border topics, such as climate change mitigation and conservation of biodiversity through protected areas systems, require collaborative efforts to improve oversight, and independent assessment in order to obtain a regional panorama with consolidated results. In that sense, coordinated audits are an effective strategy to boost cooperation between SAIs and to strengthen oversight on cross-border issues, such as the environmental ones.

Coordinated audits are also useful for developing SAIs’ capacities, especially through capacity building cycles. It is worth mentioning that the Massive Open Online Course (MOOC) on SDGs is currently available in English, Spanish, and Portuguese on an on-demand basis.

Moreover, SAIs play an important role in promoting transparency, accountability and coherence in public policies, and can provide valuable inputs to more coherent and integrated public policies, avoiding duplication, fragmentation, overlapping and gaps in governments’ activities and projects. It is important to stress that SAIs are at the core of effective, accountable and inclusive action for sustainable development, and can support the implementation of the 2030 Agenda and other international commitments, such as CBD, the Aichi Targets and future targets yet to be set.
How can private sector auditors facilitate a viable and transparent transition to climate neutrality? This is a key question for Olivier Boutellis-Taft, chief executive of the umbrella organisation for professional accountants, Accountancy Europe. He has diverse experience relevant to this profession and in EU affairs. He believes accountants and auditors need to play their role to put sustainability at the heart of decision-making, both in the private and public sector. For him, the audit profession needs to work with businesses and governments to achieve this goal.

Addressing market failures

The planet is in crisis: ecosystems are massively and rapidly being destroyed, the climate is deteriorating, geopolitics are at a tipping point, and, in many countries, societies are fragmenting. Study after study confirms that our impending doom is becoming a credible scenario (see Figure 1). This is not exaggeration for effect: there is now indisputable scientific evidence that continuing on a path of endless growth is suicide. It is time to take action.

Figure 1 – Timeline of climate warnings

Measuring environmental, social and governance (ESG) impacts is the first step to correct market failures that perpetuate short-term thinking. Reporting on these non-financial matters helps redirect markets and investors. This transparency will help us better identify long-term risks and make sustainable choices. Investors need high-quality, comparable non-financial information (NFI) to fully assess the risks and opportunities of their investments. They also need assurance on the reliability of that information.

We must not only demand this of the private sector. The public sector needs to take action and measure its ESG footprint as well. After all, EU Member States spend on average 45% of their GDP on providing public goods. The public sector controls many key areas directly affecting climate change, such as power generation, transport infrastructure and waste disposal. It also has the legislative power to drive forward not just sustainability and good governance in public sector goods and services, but in the wider economy as well.

Source: Accountancy Europe

Accountancy Europe unites 51 professional accounting organisations, representing approximately one million accountants, auditors and other financial advisors from 35 countries. We translate our members’ experience from across Europe to inform the European policy debate, particularly in the areas of sustainable finance, SMEs, tax reporting and audit. Our mission is to influence decision-makers, help the profession shape its future, and facilitate cooperation amongst our members.
Accountants and auditors play an instrumental role in supporting both businesses and governments to put sustainability at the heart of decision-making.

Non-financial reporting is still evolving

There is much potential for effective NFI reporting to bring greater transparency. This would allow boards to adopt sustainable strategies, investors to make informed investment decisions and policymakers to develop appropriate legislation.

However, there are now hundreds of NFI initiatives that are leading to confusion and increasing the potential for further greenwashing. Businesses can use any NFI framework that allows them to selectively disclose only the positive side of the story. For an effective response to these global issues and stakeholder demands, we need to improve NFI reporting, through harmonisation and legislative initiatives. If consistent, clear and comparable reports are available, corporate governance can begin to make the right decisions to ensure the shift to a sustainable economy.

This lack of market transparency and comparability of NFI reports damages public trust in business. It stands in the way of effective policymaking and regulation, which are essential to address the big challenges we face as a society.

Getting to better non-financial reporting in Europe...

The European Commission has recently announced that it will support a process to develop European non-financial reporting standards. The Commission has not yet disclosed all the details, but it intends to extend an invitation to the European Financial Reporting Advisory Group to begin the preparatory work for these standards. The intention is to build on the existing reporting initiatives, using the elements that work best.

In addition, and as part of the Green Deal, the Commission intends to revise the Non-Financial Reporting Directive (2014/95/EU) (NFRD). As a first step in this direction, Accountancy Europe recommends five steps to revise the NFRD and strengthen non-financial reporting requirements. Specifically, we see the need to:

• expand the scope beyond large publicly listed entities (PIEs)
• indicate a minimum set of mandatory reporting criteria
• require companies to disclose their non-financial information in the annual management report
• introduce minimum reporting criteria for forward-looking disclosures and
• ensure the reliability of reported information

Accountancy Europe has long been dedicated to this agenda. We worked on non-financial reporting and on related assurance aimed at bringing credibility to this reporting. Recently we published a Sustainable Finance Call to Action asking for clearer direction at EU level to encourage the development of NFI reporting in Member States.

... and in the world

There is not a financial planet and a real planet: these are one and the same. Financial and non-financial information are intimately connected, and it makes no sense to consider them separately. Corporate reporting standards also need to be interconnected. However as mentioned above, the proliferation of NFI reporting initiatives has overwhelmed stakeholders. Although work on a European non-financial reporting standard and revising the NFRD are encouraging, they remain regional.
As part of its cogito series that aims to stimulate policy debates, Accountancy Europe published in December 2019 a discussion paper on Interconnected Standard Setting for Corporate Reporting. The paper outlines solutions that would:

- address urgent global issues and provide a core set of global metrics for non-financial information
- strengthen governance through an enhanced collaboration of the public and private sector for oversight and standard setting
- transform existing structures to accommodate additional players that would effectively address broader stakeholders’ needs
- provide an effective connection between financial and non-financial reporting with the aim of addressing the ability of companies to create long-term value and
- incorporate technology from the start

Different options are still up for debate but the need for consolidation of NFI standards and for ensuring an interconnected approach, focused on long-term value creation and stakeholder needs is urgent. As we noted in previous work, presentation of the reports is also important and will need simplification and refocusing on the most material and relevant information.

**Beyond corporate reporting**

So much greenwashing is going on that more and more stakeholders are calling for independent assurance on NFI. Since NFI reporting lacks global or regional harmonisation, it is not yet subject to the same level of assurance as financial information. As NFI reporting evolves, it is important to ensure that the information is verifiable or can be verified in the future. Currently, professional accountants approach NFI assurance engagements in different ways, due to the different levels of maturity in NFI reporting. In the report Responding to assurance needs on non-financial information, we discuss the challenges and possible solutions to NFI assurance engagements.

Given the magnitude of the challenge, it is uncertain that transparency alone will produce the necessary paradigm shift. Markets have proved to be a great transformative force: we need to leverage their power to move towards a sustainable economy. Changing how the economy operates starts with how businesses are run; corporate governance is therefore instrumental.

Boards have the power to transform their businesses. Investors should give boards space to start this change and make sustainability the cornerstone of business decisions. Policymakers and regulators also can play a role in shaping how business is done.

In 2019, Accountancy Europe published 10 ideas to make corporate governance a driver of a sustainable economy. In this paper, we look at how boards need to change and what actions policymakers and regulators can take. This includes, transforming business models, changing board composition, rethinking the role of regulators, moving from shareholder protection to stakeholder protection. The aim is to achieve integrated thinking that will embed sustainability at the heart of decision-making at all levels.

**The role of accountants**

The accountancy profession supports the move towards a sustainable economy. With NFI reporting, accountants can support companies and governments in establishing robust indicators and processes for measuring and reporting their ESG performance. This includes improving internal control processes and evaluating their quality.

Accountants can help improve how a company communicates with its stakeholders, building on legislative requirements and best practices. To inform investors for their capital allocation decisions, reporting should disclose relevant financial and non-financial information.

Independent assurance is key to ensuring that information is trustworthy so that the market can function efficiently. It can enhance the quality and reliability of non-financial information that companies report. Accountants have the skills to audit information and
processes independently. Accountants identify issues and report on the company’s material weaknesses, which leads to improved processes.

In their different capacities, professional accountants make critical contributions to corporate governance. In business, accountants are found in key oversight roles, such as: CEOs, Chief Financial Officers (CFOs), non-executive directors, audit committee members, as well as officers in accounting, reporting, internal control or tax functions. As external auditors, accountants provide assurance on information reported by business with a high guarantee of independence, objectivity and competence.

Accountants are also well placed to take on new roles, such as Chief Value Officer (CVO) in place of a CFO. The role would entail a broader perspective on value creation and fully integrate ESG factors with financial performance. The CVO would help transform how the business is run and ensure that the business model shifts towards sustainability.

Good business decisions start with reliable information. The accountancy profession has leveraged its expertise in the field of NFI and now has long-standing experience1 in helping companies make the right changes to reduce their environmental footprint – and costs. As businesses change their benchmarks for success, accountants contribute by measuring impacts, disclosing information, and adding credibility to what is reported.

In the public sector, financial management is improved by the adoption of accruals accounting and budgeting. Accountants are a crucial component in implementing accruals accounting and in providing assurance that public services are delivered in an efficient and cost-effective manner. Accountants can be good partners in developing the public sector’s ESG reporting. And not only for national governments; accountants can support the EU Institutions in shaping policies to encourage Member States in this area.

**Act now to safeguard tomorrow!**

Accountancy Europe started the debate on the future of corporate reporting in 2015. Since then, we have led the thinking on corporate reporting. In addition to the initiatives highlighted above, we have noted the need for innovation and for leveraging technology; we called for the set-up of an EU Corporate Reporting Lab and; outlined that corporate information was of interest to a wider variety of stakeholders and not only shareholders.

We are striving to achieve better non-financial reporting and support integrated reporting. Shareholders and stakeholders are realising that non-financial reporting can shed extra light on financial reporting and that only the integration of the two makes sense. We are pleased to see that the EU's corporate reporting agenda is following the same lines.

Our economy brings increasing development and wealth but also causes natural resource depletion, pollution, overconsumption and social unrest to a level that is not sustainable anymore. The only way forward is changing how the economy operates today.

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The EP’s ENVI Committee – being ahead of the pack for the EU’s green transition

Interview with Bas Eickhout, MEP and First Vice-Chair of the ENVI Committee

By Gaston Moonen

While the European Commission has proposed the European Green Deal, it is up to the European Parliament and the Council of the European Union to approve and adopt it, including all the detailed propositions in it. Many of these proposals, often also inspired by input from the European Parliament, have to pass the Parliament’s Committee on the Environment (ENVI), a powerful committee and with 81 members also the largest in the European Parliament. And it will subsequently scrutinise the implementation of the green policies adopted. Bas Eickhout is an MEP for the Greens and was one of the two leading candidates of the European Greens in the 2019 European Parliament elections. He became MEP in 2009, and also joined the ENVI Committee in that same year, and became its first Vice-Chair in 2019 for the current legislative term. He explains the role of the ENVI Committee and the key issues on ENVI’s agenda for the upcoming years.

Working on legislation with impact… for the short term and the long term

For Bas Eickhout it was clear from his first days as an MEP that the Committee on the Environment, Public Health and Food Safety (ENVI) was the place to be for him. ‘The reason why I went into politics was environmental legislation, and climate in particular. A lot of the legislation on these themes goes through ENVI. It is a big committee and an influential committee - you can really influence legislation, which is very motivating.’ He points out that over time environmental legislation has become more and more important. ‘And now with the European Green Deal as presented by the European Commission, even one of the centrepieces of this Commission. So the legislative footprint you can leave behind is important, and therefore motivating. I am happy to be in this committee.’ He adds that in addition to being a member of ENVI he is also a substitute member of the Budgetary Control Committee and the Committee on Economic and Monetary Affairs.
Looking back at what he has been doing during the past ten years he identifies the European Emissions Trading System – ETS - as one of the key legislative proposals he has been working on - from its very start. ‘Through the ETS we try to create a carbon price for all industry in Europe. We try to regulate almost half of their total emissions in Europe through a carbon price.’ He observes that this was quite difficult in the beginning. ‘It was still a weak system, with a lot of hot air, so to speak. But over the years we have strengthened it.’ With its impact on the carbon price, also directly from work done in ENVI: ‘We really experienced that after a vote in ENVI you saw a peak in the carbon price, sometimes even one hour later. So the markets are really following what is happening in such an environment committee in the EP. Because they know that this will have an important input for further legislation.’

He gives another example, this time of legislation which seems to be small in the spectrum of emission quantities. ‘But it had a huge impact globally. I am talking about F-gases, so-called fluorinated gases, those gases used in your fridge and for airconditioning.’ Bas Eickhout was the rapporteur for this legislation. ‘We managed to make a change here: Europe decided to regulate that and in the end that regulation was copied by, for example, California.’ With a certain pride, he adds that California explicitly refers to the EU directive in this area. ‘And later on it also led to a global deal on the amendments of the Montreal Protocol. So there you see that European legislation is impacting outside Europe and sometimes even on global agreements. That is all very motivating.’

However, for ETS there is still some work to be done. Bas Eickhout: ‘ETS is still unique in the world, unfortunately. There are of course initiatives. We were rather close to linking it to a scheme in Australia. But then the government changed there and they ditched their carbon pricing mechanism. You see that in many countries what you do with climate change policy is still highly controversial.’ He also refers to a trading system at state level in the United States, with some Canadian provinces. ‘So there are some systems around but a really comparable system, also in size, that we do not have yet. We now recently linked it to Switzerland but that is a bit like David and Goliath, linking the two.’ Interestingly enough he refers to China as a country that is looking at a cap and trade system for carbon emissions. ‘They are still in a pilot phase and not yet as developed as in the EU. Nevertheless, slowly but steadily you see more initiatives for using carbon pricing to reduce emissions. But for now, with this maturity, the ETS is the only one. And we are not there yet either.’

The 2019 transition towards a different mind-set

While many economists see carbon pricing as a fair and necessary mechanism, it is not yet directly welcomed by industry, perceived as having a detrimental effect on their competitiveness, the more so if it is not applied globally. And this concern is often raised about environmental legislation. ‘Here we often see an almost classic battle: do you regard environmental legislation as a burden? Which was a bit how the Juncker Commission started – with better regulation, trying to lower the administrative burden. And then they were certainly eyeing environmental legislation.’ But he sees a very interesting change occurring. ‘More and more industry is realising that climate change policy is there to stay. You can find it annoying, whatever you want, but it will be there. And more and more industry is then kind of changing tactics by realising that you can either fight it, every time being confronted with new policies. Or you can change it and spearhead it, so that you will be the one profiting from environmental legislation because you already integrated new standards, prices, etc. and you are at the forefront of legislation.’

Bas Eickhout identifies a clear change in attitude of many industries towards new targets for emission reductions, CO2 standards, etc. ‘When we discuss such targets, we now see more and more that industry is not fighting that anymore. We are still talking about how fast we should move. But questioning these targets as such occurs much less.’ He gives an example related to the overall target of climate neutrality. ‘Five years ago, if you had gone into some industrial sectors saying “We will be climate neutral by 2050” they would have laughed at you or kicked you out of the room. And that is not the case anymore. So the debate is shifting.’
He admits that he has become a bit optimistic, with 2019 perhaps as a hallmark year for a new attitude, a new approach towards climate change. ‘I am indeed a bit optimistic. To be honest, I have a bit of both, both optimism and some pessimism in me.’ He explains that if you mainly look at all the scientific information related to climate change the latter mood might get the upper hand. ‘If you then really go into thinking it through – if you want to be on the safe side - then policy changes have to be so drastic that you get a bit desperate. That is then sometimes the dark side taking over.’

However, there is also reason for optimism: ‘Sometimes you see these changes and they can happen very fast. And I think 2019 was certainly a year where many changes were suddenly happening.’ He refers to the 2019 European Parliament election. ‘Climate change was a defining topic all over Europe! We sometimes complain there is no real European debate. Perhaps a bit true in a general sense, but if you looked at the topics when I was then campaigning throughout Europe as a lead candidate for the European Greens, it was clear that the debate on climate was going on in every country. Of course in a national context, but it was clearly there.’ In his view climate change as a topic has shaped the European Parliament elections and the subsequent policy making of the European Commission towards the Green Deal. ‘That really is a total shift compared with five years ago, with the Juncker Commission, how they started. So 2019 was certainly a year with many changes.’

For Bas Eickhout this all depends where you come from. For example, younger people, for instance from Youth for Climate, have been critical that the EU is doing too little too late, even with the European Green Deal. ‘If you perceive this from the perspective of a young activist, being concerned about your future, then, also looking at science, the window of opportunity is closing and you feel like it needs to happen now. And the Green Deal is still a lot about rhetoric, with concrete action still a bit unclear.’

He points out that, having been in politics now for ten years and seeing the struggle, he sees different perspectives and the struggle for change. ‘Now, when seeing things really changing and moving, I think it is very good. But I need the activists and their justified impatience in order to keep on putting pressure on the policy makers. And I am then that policy maker from the inside, trying to push in a certain direction.’ For him this external pressure is always needed to ‘keep the ball rolling.’ He also sees the Covid-19 crisis as a sign of how fast changes can happen: ‘Debates can change very quickly. If you are not keeping your eyes on the ball, you can lose it quickly as well. The race is not won yet, but there are good signs.’

The ENVI Vice-Chair regards the discussions on the measures taken for Covid-19 and its economic aftermath with prudent hopefulness. ‘On that, the jury is still out, too early to judge. Clearly, the debate on climate was gone for a moment in time, which is logical in view of this unprecedented crisis. But we are now getting to a stage where we really need to consider what kind of policies we need to put in place to get out of this crisis…and how to get out of this other long-lasting crisis!’ He sees good indications that we are going, as he calls it, ‘the proper green and clever way.’ But he also sees groups who want to pay less attention to climate now since there are other, more urgent things going on. ‘However, in my view the debate on the Green Deal, on climate, has never been so central before. So the chances that we can do the right thing are greater than ever. But we can still mess it up.’

In the presentation the Commission’s Vice-President Frans Timmermans gave in the ENVI Committee meeting of 21 April 2020, he referred to a Green Alliance and its importance for the implementation of the Green Deal. Bas Eickhout is part of that alliance, aiming to get climate action moving forward at different levels, not only at EU level. ‘You can have a nice discussion in Brussels but in the end, in order to really get things moving, you need public pressure, and preferably not only from NGOs and activists but from a broader alliance, including CEOs of companies, ministries and ministers, from the regional and local level. That is what... you need public pressure (...) from a broader alliance, including CEOs of companies, ministries and ministers, from the regional and local level.'
this alliance tries to achieve: uniting politicians from all levels, CEOs, NGOs and also trade unions to implement action against climate change, to move forward. To get civil society on board for that. He underlines that this alliance will most likely influence, but not take over, the legislative debate on these different actions. ‘It is an instrument to put further pressure on politicians, both at the national and the EU level.’

He saw confirmation that such pressure is necessary in the video the European Council presented on Europe Day, on 9 May 2020, in which 27 heads of state or government - plus the President of the European Council - gave a short individual video message. ‘It was a very general message about the EU, a bit of a feel good video. But you saw there that, in the Covid-19 crisis conditions, many of them fell back on what has always been on their mind: economy, GDP, jobs, security. Forgetting about the sustainability issue.’ Bas Eickhout is convinced that if the video had been recorded six months earlier, before the Covid-19 crisis, everybody would have mentioned the climate as the key issue. ‘When Covid-19 came, they forgot about it. I have some understanding for this but it also shows that we need continuous pressure to keep climate issues high on the political agenda.’

**ENVI and the European Green Deal**

In the coming months, with the European Commission bringing forward more detailed proposals to the European Parliament, the ENVI Committee will be busy with the legislative details of the Green Deal. While the Green Deal is clearly the Commission’s proposal, Bas Eickhout explains the role ENVI has played in getting the proposals where they are now. ‘The committee itself did not play a direct role, but certainly several people who have been and are now active in the committee have done their part.’

He points out that after the European Parliament elections in 2019, the four more pro-European groups - EPP, S&D, Renew and the Greens - sat together and said ‘Let’s negotiate the kind of programme that we expect from the new president of the European Commission. We never concluded these negotiations because we could not come to an agreement, politically speaking. But all the work that we did, the draft we had, was picked up by Ursula von der Leyen.’ He adds that she knew that once she was nominated as Commission President she had to convince the European Parliament. ‘And therefore she took into consideration all these documents we had been working on. Documents in which we were talking about a green deal, about a farm to fork concept, about a climate law.’

So apparently many things that later on became important elements of the Green Deal were already being discussed by a set of people from those four political groups. Who were these people? Bas Eickhout: ‘For Renew it was Pascal Canfin, the present ENVI Chair. For EPP it was Peter Liese, now coordinator for the EPP in ENVI. And for the Greens it was me. So you see that some of the current key ENVI Committee members were in that negotiation team.’ He concludes that, in that way, the EP clearly has been influencing the strategic agenda of the Commission. ‘Sometimes on an individual basis, sometimes through committee work. But you do see that impact.’

As to what will be on the ENVI agenda for the upcoming months, the ENVI Vice-Chair explains that they are at the stage of getting more details on the different strands of the Green Deal. ‘All the communication is on the farm to fork strategy, on biodiversity. We are still a bit at the level of strategy, but also on the action plans. So we are not in the real legislative phase yet. The ENVI Committee will do its reports on all these elements, such as circular economy, biodiversity, farm to fork, industrial strategy, etc.’ He explains that the biggest legislative action that is now on the table is the Climate Law. ‘This law enshrines this 2050 climate neutrality target and the discussion on the increased targets for 2030. With the initiative reports of ENVI on the different Green Deal elements, you then get a kind of an agenda for putting the Green Deal into real action.’

On whether there is a common feeling in the ENVI Committee of bringing the Green Deal forward, Bas Eickhout is slightly positive, at least hopeful. ‘With different groups in the
committee, there are of course divergent views. And certainly with a group like Identity and Democracy, they have a totally different view from many of us. But what you do see in the ENVI Committee, on average, is that you have more environment-oriented people from the different political groups. For the Greens, I think that they approach issues in other committees pretty much the same as in the ENVI Committee. He thinks that this is probably a bit different for ENVI members coming from S&D, Renew and EPP. ‘There you get a bit more environment-oriented people, who then follow the debate, who know that companies are changing their attitude, etc. So, on average, this makes it certainly a more progressive committee.’ He concludes that the ENVI Committee is certainly regarded as a more progressive form of representation in the plenary. ‘For example, you see that in the voting: the position the ENVI Committee is taking is quite often slightly weakened when you go to the plenary. And you know that you are most often ‘ahead’ of the debate when you go there.’

Besides being the First Vice-Chair of the ENVI Committee, Bas Eickhout also is the coordinator for the Greens in this committee. ‘This is very useful because as coordinator – together with the other coordinators - you are really deciding on the agenda of the meetings, thinking on which initiative reports, what kind of hearings, you would like to organise, etc.’ He also gives an example of his role as First Vice-Chair of the committee: ‘Every time Pascal Canfin, who as chair is the face of the committee, cannot be somewhere – and this happens in such a big committee – I can replace him. This also means that in some negotiations with the trilogue - the negotiations with the Council - I have to chair, because Pascal cannot always do that, even the more so if we are in fully active mode.’ These trilogue negotiations offer clear examples of situations where Bas Eickhout experiences how a chair or first vice-chair can steer and influence. ‘You are neutral, you are chairing, and of course on the contents you have the rapporteurs and the shadow rapporteurs. But of course, a chair manages the order of the agenda, who is getting the floor and when. So you are influencing somehow.’

Being an MEP, and being a member of the ENVI Committee on behalf of the European Greens, Bas Eickhout is rather conscious about his own behaviour and to what extent this is green. When asked how he does this he shares that this is not always that easy. ‘You should always try to practise what you preach. In your personal behaviour, in your energy use, in your personal consumption, you try to take that into consideration.’ He identifies particularly one aspect where he finds it difficult to do so. ‘For example, my weakness, to be very clear about that, is travelling. I try to do a lot by train, but, as I feel it, I am still flying too much, not in these Covid-19 times, but for sure before.’ He feels that this sometimes appears almost inevitable if one wants to move on the European continent. ‘Because the alternatives are not very well developed. Going to Strasbourg I only go by train. But if you ask me, I think that my carbon footprint is still too high, mainly because of my travelling, that is my weak spot. It is sometimes difficult to also practise what you preach. I am fully aware that I am not a saint either.

The need for a green…and a brown taxonomy

When it comes to the EU budget to be allocated to climate-related issues, the ENVI Vice-Chair is convinced that for the new Multiannual Financial Framework (MFF) more budget will go to climate issues, to be seen in a broader way. ‘What you will see more and more has two elements. One element is about a percentage of the budget linked to climate financing. Take the European Investment Bank, the EIB. They have turned that deliberately into climate and environment, to be broader than only climate. And that is a trend you will also see reflected in the MFF. It was already there in the previous Commission proposal, but it will be there more and more.’

As the second element, he identifies more and more climate mainstreaming. ‘Again, the EIB: they have been promising to be a climate bank - 50% of their activities to be allocated to climate and environment. And then they say that 100% should be Paris-aligned, meaning it should not work to the detriment of climate goals. And that is also an understanding that we will see more and more of: climate mainstreaming.’ He underlines that for sure there will be
financing that will not have an immediate impact on climate. ‘But please, let’s make sure it is not going to work against it.’

Here Bas Eickhout throws in a term he has used several times: green taxonomy, which he considers very important for future legislative proposals. ‘Once it is developed further, this green taxonomy can be a very useful tool to identify what is now a green investment. And in this taxonomy discussion, we were already pushing not only for a green taxonomy but also a ‘brown’ taxonomy, identifying what has a bad impact on the environment.’ He adds that this was considered a bridge too far in the beginning. ‘But this is how it often works. We put ideas out there which are a bit ahead of the curve. But now the new Commission is already saying that they need to work on a brown taxonomy. Also because, for example, the EIB is asking for it.’ For the MEP it is clear that, in order to assess whether all your investments are in line with the Paris Agreement, you need to know where your money should not go.

This green taxonomy also surfaces when he talks about ECA reports published during the last few years. ‘One report that was really helpful – and still is very helpful – is the ECA report on the greening of the MFF, where the ECA looked at the ‘green’ percentages, touching upon climate mainstreaming [special report 31/2016]. That report was very critical on that, and that was very helpful.’ He considers that having the analysis of an objective outsider – underlining that the ECA is certainly considered to be that – is very important and helpful. ‘Let’s face it: the Commission is always striking a political deal in the end. Anything they produce is a compromise. Interestingly enough, if they come forward with an impact assessment, that assessment is always, or very often, a confirmation of what they propose. That does not always come across as very objective.’

Bas Eickhout also thinks that some of his colleagues need to be a bit more critical. ‘If the Commission says “One plus one is three,” then you do have quite some politicians in the EP who actually say that one plus one is three because the Commission is saying so. Then it is very helpful to have an objective organisation such as the ECA saying “Excuse me, but one plus one is two.” So these critical reports by the ECA cut through the rhetoric of the Commission, because you know that they have to sell a political compromise. That is very helpful.’ He recalls the report where the ECA assessed the previous MFF, where 20% had been labelled green: ‘And where the ECA went through it and came to very critical conclusions. And the ECA has already been criticising the new MFF proposal, which is even more helpful.’ He concludes that such reports are still used in the political debate, adding: ‘The ECA is seen as an objective institution that is one of the few that can really cut through the very good PR of the European Commission. Although not everyone will be happy with your message.’

Bringing all sectors to the forefront of the green transition

For his current mandate as MEP Bas Eickhout sees a clear challenge, offered by the Green Deal. ‘For me, all the work around the Green Deal is central. As I said, in many industrial sectors things are really changing, and I will keep on pushing for that. What is important will be that in these five years we move into sectors where the change has been difficult – so those who are not at the forefront of the Green Deal transition. There key sectors will be agriculture, aviation and the financial sector.’

For all sectors, but particularly for the financial sector, he believes that clarity on sustainable financing is essential, linking it again to this taxonomy. ‘If you can really green the financial sector, then you are making so many headways at once, because then you are talking about shifting the trillions, so to speak.’ He very much welcomes actions, such as, for example, the one the CEO of one of the world’s largest investment companies undertook in early 2020, requiring his organisation to take sustainability issues to heart in its decisions on financing. ‘And that we as policy makers are really making sure that the entire financial sector is moving fast in that direction. If the financial sector is ensuring that money is invested differently, then we are really talking about a different economy. This is going to be one of the crucial elements for the coming five years.’

The ECA is seen as an objective institution that is one of the few that can really cut through the very good PR of the European Commission.

If the financial sector is ensuring that money is invested differently, then we are really talking about a different economy.
The voice of a new generation: no time to waste!

Interview with Adélaïde Charlier and Anuna De Wever, climate activists from Youth for Climate

By Gaston Moonen

Adélaïde Charlier (left) and Anuna De Wever (right) at a ‘Youth for Climate’ protest

If 2019 goes down in history as the year of growing climate awareness, it will be partly due to students going out on the streets to demonstrate in favour of increased action against climate change, and against delays in meeting the 2015 Paris Agreement commitments. Without a doubt, one of the best-known activists is Greta Thunberg, who first demonstrated outside the Swedish parliament in September 2018. In Belgium – and, rather visibly for EU policymakers, in Brussels – large-scale protests were organised by the action group Youth for Climate, setting an example followed by many students in other EU capitals and beyond. Climate activists Adélaïde Charlier and Anuna De Wever have been leading and coordinating the Youth for Climate actions in Belgium. Here, they explain what motivated them to act, what they stand for and how they view current initiatives such as the European Green Deal.

The quest to combat climate change

The figures are revealing – student protests for climate action have mobilised an impressive number of people. According to estimates, more than a million protesters gathered on 15 March 2019, taking part in 2200 protests in 125 countries. On 20 and 27 September 2019, a series of 4500 protests were organised in more than 150 countries calling for increased action against climate change, with roughly 4 million protesters (many of them schoolchildren) taking part on 20 September. Anuna and Adélaïde, both now 19 years old, were the lead organisers of the protests in Belgium.

It all started in December 2018, when Anuna decided to follow Greta Thunberg’s example and take action. Anuna recalls, ‘Before the first strike we did we posted a video online saying that we will strike for the climate and everyone, people could join us. We did the
strike, there were 3,000 people; it was directly in the news, it was kind of everywhere, because obviously we skipped the school. Immediately the media was very interested. To arrange the second protest across the whole of Belgium, Anuna contacted Adélaïde. ‘Because there were actually only Flemish people on the first strike. And we want bridges, we do not care what language you speak or where you live.’ Adélaïde agrees, ‘The climate crisis goes beyond any barriers, beyond Belgium, beyond Europe. And everything is included.’

Anuna explains that Adélaïde mostly made arrangements for the second protest in the French-speaking part of Belgium, while she herself organised the Flemish-speaking area. Participant numbers grew quickly from an initial 3,000 people to 12,500, then again to 35,000. The number of students involved in organising the protests also rose fast. Anuna explains, ‘We had strikes for 20 weeks, every week. Now we are a movement of almost 30 people working together consistently to organise, to think on actions we are going to do, to work internationally.’ Both point out that since then they have worked with scientists, contributed to discussions and done TED talks. Anuna adds, ‘We also went abroad and we are now interns in a parliament. We had many opportunities to raise our voices.’

Many people have noticed the original slogans used to express the new generation’s concerns. When discussing which stand out for them, Anuna is clear: ‘Mine is ‘We reached the point having to fight our own government to survive.’ Adélaïde points out that there were many extremely creative slogans: ‘For example, ‘There is no planet B’, very simple but very true.’ She also mentions the slogan, ‘We are not only destroying the planet, we are destroying ourselves’, adding, ‘Many referred to the fact that we have no time left to waste, for example: ‘The dinosaurs thought that they had time too.’

Both young activists clearly appreciate the support they have received from their families so far. Anuna explains, ‘Both my parents and my sisters have experiences with activism. They helped me a lot and they came to the strikes.’ She adds that they have been very supportive ‘because, obviously, they understand what I’m doing. It is not for us individually – we miss family events, many evenings you have to go to meetings and talks, so not at home a lot – they understand that we are doing it not for us but for our future and our whole generation.’ Adélaïde agrees, ‘My family is not an activist family but conscious about climate change and understands that we need to move the whole society. So they understand me. From the school part - I think I was perhaps luckier than Anuna - my teachers understood and gave me time and also helped me to go through different courses even though maybe I missed them. They were very understanding.’

After two months of lockdown due to Covid-19, Adélaïde points out that the Youth for Climate movement has only existed for eighteen months. ‘The fact that we are still here today is already amazing. Of course, a movement has moves – ups and downs – but we are still here and we will keep going, also now. Even though it is hard, really hard for youth and citizens in general to be asking for something and failing again and again. Because no one is listening to them: They admit that motivation can become an issue if you do not see real changes. As Adélaïde comments, ‘That can be very hard. As activists, what is hard that you never see the results but you keep fighting and that is what we are going to do. We are going to stay out there and try to see the action that we are actually demanding.’
**Strong leadership needed to achieve decarbonisation**

Anuna attributes responsibility for action – and the lack of it – to politicians, saying, ‘What is important to realise: lack of their action is not the failure of us! We were millions of people, all around the world. And yes, obviously it slowed down because we were doing so much and getting nothing back. This is the huge failure of our politicians – not answering what young people are demanding. They are disappointing a whole generation of young people who do not believe in politicians anymore.’

When looking back at the big protests, Adélaïde makes it clear that the shared mood was one of anger and panic at what the future world would look like if nothing happened. ‘It was nothing like “Ooh, today we can skip school!” There are people who have to do another year because of skipping so much. Their grades were going down, got sanctions from their school. But they kept going: She says there is no alternative. ‘As young people you realise what the climate crisis means and what it is going to do with your own life – it is going to affect everyone in a horrible way and you do not see any alternative. You have to keep on fighting. This is also the biggest problem – that our politicians do not understand that there is no alternative. They always say “but” instead of “Yes, we have to do this.”

For both activists, the focus is too often on the wrong things, on issues that were important in the ‘old’ world but are secondary in the future world. After all, what need for an economy if the climate is not conducive to a decent life? Anuna argues, ‘There will be no economy! Humanity can be extinct if we do not do anything.’ She refers to the millions of climate refugees, saying, ‘That is happening right now. At the end of the century we will have over a billion climate refugees who fled their homes because of famine, because of no water, because of the fact that it is literally too hot.’

Anuna points out that the biggest responsibility for addressing climate change lies with Europe and North America, the countries and continents wealthy enough to take action, yet there is often a lot of finger pointing. ‘We are all doing horrible: 195 countries signed the 2015 Paris Agreement. And nobody is in line on reaching the targets!’ Adélaïde adds that it is important to remember that 85% of atmospheric CO$_2$ was emitted by ‘Western’ societies during their development. ‘That is us and America. We have developed and other countries are also emitting CO$_2$. But we have a historical responsibility. That is why we need to be the leaders. And we are wealthy enough to do this decarbonisation.’

When discussing what they themselves do to reduce their carbon footprint, beside demonstrating for climate change action, Adélaïde gives a few examples: ‘We are both vegetarians. Consuming meat is also linked to how much CO$_2$ is put into the atmosphere. We have sailed to South America to contribute to a project in the Amazon forests, also to understand the link between human rights and the climate crisis. Not to say that everyone has to sail there. But the problem is that aviation has become normal and is also subsidised by governments.’ In her view, governments are often blinkered when giving out money. ‘We are still giving unlimited resources to societies while we are living on a planet that has its limitations.’ She underlines that it is important for each person individually to contribute to the transition. ‘But what we need today is also systemic change. If we do not have systemic change we will never be able to fight the climate crisis.’

**Learning the ropes of policymaking**

Throughout the interview, Adélaïde and Anuna come across as knowledgeable. Beside their motivation and interest, they have acquired significant hands-on experience on climate policymaking during the European Parliament internship they began a few months ago, unsurprisingly working for the European Greens. Anuna clarifies, ‘Obviously the Green Party is doing a lot for the climate. But climate does not have a political colour and every party should be a climate party.’
The two activists consider the internship an opportunity to have a voice at the Parliament, ‘and to learn how it is working and where they are in terms of climate goals and how is everything structured. We are still young,’ says Adélaïde. She sees it as a chance to create a link between youth and politicians, ‘to create links and to make sure that they do not forget what the youth were shouting for and are still shouting for today. Besides shouting on the streets we are also talking to politicians during meetings when we see them, and they know we are in there, keeping track of and towards this climate emergency.’

Now, working at the European Parliament, both Anuna and Adélaïde realise the true impact of their demonstrations. Anuna explains, ‘When you are in the parliament, every time when there is a climate debate and people are talking about climate policies or legislation, they are always referring to the climate strikes and what we have done. The Green Deal, for example, would not have not been there if we would not have been out on the streets.’ She also links her experience in the Amazon to certain concrete policies discussed, saying ‘We saw the indigenous people there. They have no voice at all, they homes have been destroyed and Europe is doing this by, for example, the MERCAS trade agreements. We, being in the parliament, are trying to influence that as well, give these people a voice. For us it is also a way to democracy.’

**European Green Deal – the way forward?**

As interns at the European Parliament, they have also had the opportunity to share their analysis of the Green Deal, as Adélaïde explains: ‘We could write to them freely on that. So as activists we analyse how the green deal is growing and how different EU countries are reacting to that; so how parliament and the EU moving forward. Of course we also have other tasks as interns: Anuna clarifies some of their main concerns, saying ‘I think the most pressing question now is: is the EU going to use the Green Deal as road map to get out of the economic crisis that the Covid-19 virus has led to? Many people are saying “Our economy has completely collapsed and needs to be restored.” But we need to be aware that it is this kind of economy and this growth that has brought us to this ecological collapse!’

Both activists agree that now is the time to use the Green Deal to rebuild the economy in a sustainable and – importantly – fair way. Adélaïde stresses, ‘It is not only about whether they are going to use the Green Deal, but also how they will ensure that this Green Deal will be financed. For now there is a call from more than 17 Member States that say “We want this Green Deal to be at the centre of attention for the re-launch of post Covid-19 support measures.” But then the question is – during this post-Corona period are they going to stay on that line?’

Their fears are certainly not limited to implementation by the Member States. Anuna argues, ‘When we look at the Green Deal, for example the new Climate Law, which really compels Member States to do something, Frans Timmermans is not ambitious at all. His risk assessment from Commission is way too late. This means that, most probably, the needed legislation towards 2030 will not start to be implemented this year. Which means that according to the Paris Agreement the negotiations next year will be about 2030 – 2035. And this could mean that we do not have even an ambitious goal until 2030.’ She explains that a 50 % CO2 reduction by 2030 is currently considered positive, ‘but this is not enough because our carbon budget allows us to go on like this for eight years, so we have to cut drastically.’ According to Anuna, unless the Climate Law compels Member States to take serious action, it is not ambitious enough. She then refers to something Adélaïde once said:

‘… Frans Timmermans is not ambitious at all. His risk assessment from Commission is way too late (…) our carbon budget allows us to go on like this for eight years, so we have to cut drastically (…) The Green Deal is like a beautiful book cover but there is no book.'
‘The Green Deal is like a beautiful book cover but there is no book.’ She concludes, ‘So nice words but nothing is really happening.’

Adélaïde specifies further, referring to scientific data, ‘So our first fear is that in the post-Covid-19 situation the Green Deal is going to be forgotten. But if not, then we are not there yet with the Green Deal. If we really are listening to the experts, we will need a 65 % reduction for 2030. We should have climate goals not only for 2030 but for today, for tomorrow, for 2021, etc. Because right now we are talking about years and decades. But as Anuna said it: we have eight years before our carbon budget goes down and we have nothing left. Clearly, both young activists are feeling the time pressure and are concerned that this sense of urgency is lacking at EU level. Adélaïde says, ‘Even though they are doing a first good step with that Green Deal; we are scared that they will not keep that first step, that they will not do other steps after that.’

Another big concern is the financing of the Green Deal: ‘This is a serious concern, since the financing of the Green Deal is lacking almost completely. The ECA calculated once how much it would cost to do this transition to a carbon free society. And it said that we would need €1 000 billion for such transition. Currently Ursula von der Leyen is demanding €100 billion.’ Adélaïde concludes that the EU is still far away from a good transition, ‘And of course, that scares us!’

The two activists do not just think about the problems, but also about possible solutions, about not giving up their future. Anuna says, ‘Obviously, there is a way out. That is why we are activists; we would not do everything we are doing if there was no way out. People who say “It is silly, you cannot do anything anymore,” I really get angry. It is not true!’ She mentions that some scientists have clear goals, citing Belgium as an example. ‘If we are talking at the Member States level – in Belgium we work together with more than a hundred experts and scientists, economists, sociologists who work on a climate action plan directly to implemented in Belgium policy to make sure Belgium will meet its targets of Paris agreements by implementing really concrete measures. We gave it to all party leaders for every party in Belgium and nobody did anything with it. That is why we are super angry: our scientists are very clear on what to do. But our politicians are the ones who are making it impossible to achieve these goals.’

She believes that the Member States could do far more if the EU were to pass a binding climate law setting targets and ceilings, saying, ‘Otherwise you will have to pay fines or taxes or you really put boundaries and limits – you can emit so much CO₂ and there it stops. If you are out of production in half a year – it is your problem.’ Anuna emphasises that she and Adélaïde are recent high school graduates, saying, ‘We, from ourselves, do not have a clue what to do. We are simply listening to the scientists, the experts, reading the CO₂ reports. They say exactly what needs to be done because they are experts in the field. We are just delivering the message.’

She refers to her experiences in Belgium, clarifying, ‘Here we did not say as Youth for Climate activists, “You have to make the energy transition like this.” No, we worked together with experts and as a team we identified ways for Belgium to make the energy transition in a good way. As Greta always said, “Unite behind the science.” And science is very clear: they have a lot of solutions. But we are not ready to invest in it because we are so stuck on our fossil fuel addicted society.’

Public auditors can help!

When it comes to the ECA’s role in making these changes towards a carbon-neutral society, both Anuna and Adélaïde have high expectations. Adélaïde says, ‘We need the ECA to assure that the EU budget is aligned with the EU ambitions and the fact that the Member States and the EU signed the Paris Agreement. Whether the necessary efforts are made to limit this increase in global warming to 1.5 degrees. We need the ECA to say whether what Ursula von der Leyen does is aligned or not aligned with what the ECA said needs to be done. And whether the EU has the money the ECA indicated is needed for that. Because that is a huge problem.’

Interview with Adélaïde Charlier and Anuna De Wever, climate activists of Youth for Climate
Anuna believes it is not that difficult to assess: ‘With the climate action we have now we are actually trying to invest millions of euros to save the planet…while billions are invested to destroy it.’ For example, recently the EP voted to invest €40 million in a plan for Europe to have all sorts of gas pipelines. That is fossil fuel. Almost every MEP from Belgium and the Netherlands voted in favour of it. ‘Both find it disappointing to see how politicians act and react on these issues closely related to addressing climate change.

Covid-19 – a catalyst for increased climate action?

In response to criticism of Youth for Climate participants, such as the assertion that it is hypocritical to demonstrate for climate action while using luxury items that pollute the planet, the two young activists are unanimous. Anuna responds, ‘We were born in this. I think we realise that we are now in this society and maybe we do not want to be in this. As youth, we come into the world and we get the choice to change or to keep it. And we decided to change it because it is destroying our planet.’ Adélaïde comments further, ‘Neither did we choose…that we are super-privileged and other people are starving. These are things we are fighting. We did not choose all these privileges but we realise by being born in the right country with the right laws we also have a big responsibility to fight for those who do not. This is why we went to the Amazon, to listen to indigenous people there and try to give them voice. Because they deserve it.’

Due to the Covid-19 crisis, it has been more difficult to make the voice of Youth for Climate heard. ‘It is of course hard, but we respect the Covid-19 rules and we take it seriously,’ says Anuna, ‘But we are creative and we are even more on social media. And we will have actions while respecting the rules. We have to keep pushing Europe, we have to keep pushing our country, because sadly it is not because there is a crisis the other crisis is stopping. Covid-19 is here but does not stop climate change, CO₂ is still released. We still have to act.’ Adélaïde points out that young people are not ignoring the global pandemic; on the contrary, ‘Many of us are volunteering and helping homelessness people to get food and helping in nursing homes, really necessary right now. At the same time, many people are forgetting about the climate crisis which is more pressing and which will lead to more deaths. The Covid-19 crisis is important, also to serve as a catalyst for more climate action.’

According to Anuna, the Covid-19 pandemic shows the extent to which politicians can mobilise in response to a crisis. ‘Politicians were telling us all the time: “We cannot do this or that against climate change because of economic losses, because people would not be happy, because of lack of support from the people.” But obviously they do not care enough. They are doing everything now, they are just deciding because they see the crisis. And that is what you need to do – you need to show leadership!’ She finds it somewhat hypocritical, saying ‘And we will call out on this. Because after this crisis they have to also do exactly the same extreme measures with the climate crisis.’

Adélaïde believes the world can learn a number of things from the Covid-19 pandemic. ‘They were also listening to science for once. And they have been anticipating. Which shows that if you anticipate there is a less of a shock. Without resilience we cannot face the shock, not for a health crisis…or the climate crisis. There are many, many lessons learn from the pandemic…to face the climate crisis.’ After their internships, Adélaïde and Anuna plan to study social sciences in Brussels. They also plan to keep working hard for the Youth for Climate cause during their studies – as Adélaïde emphasises, ‘There is absolutely no time to waste!’
Adapting to a zero-waste lifestyle: easier and more pleasant than you might think

Interview with Jérémie Pichon

By Tom Everett, Translation, Language Services and Publication Directorate, and Gaston Moonen

As the seas and oceans fill with plastic and we all ingest our weekly credit card, there is increasing awareness of the environmental and health impacts of producing and then disposing of non-biodegradable materials. Several years ago the ECA started actively to promote more planet-friendly behaviour, such as doing away with single-use coffee cups and discouraging printing. But at the same time there is much that we as individuals can do to act more responsibly, both in the office and – more significantly – at home and in the community. That this is more than possible in practice is shown by Jérémie Pichon, who has written extensively about his family’s experience. In November 2020 he spoke to an interested audience at the ECA about that and looked at what the future holds.

An accidental celebrity

On 20 November last, the ECA welcomed Jérémie Pichon, the bestselling author and blogger of Famille Zéro Déchet, to share with our staff his experiences of living without unnecessary packaging and waste. After his presentation he kindly agreed to a more detailed interview. Why had he and his family decided to become zero-waste? What were their priorities? What difficulties did they face? How did it affect their lifestyle? How did people react? And did they really think they could make a difference?

Those who attended the event will confirm that Jérémie Pichon is an engaging, amusing and challenging speaker. Behind his disarmingly conversational manner there is a man who is fully committed to his subject. And yet his current incarnation as author and conference sage (he has often spoken at venues in France and Belgium, including a TED conference which can be seen online) grew almost by accident out of the popularity of his blog. He traces his long-standing interest in environmental issues to his childhood: ‘On a farm in the French countryside, where self-sufficiency and recycling were a normal part of life.’ In his view, modern urban living has ‘denatured’ people, making them, ‘like battery chickens,’ ill-equipped to regain humanity’s historical symbiosis with nature.
Steps to enlightenment

An ardent skier and surfer, Jérémie had previously worked for two anti-litter NGOs: the Surfrider Foundation and Mountain Riders, an association he helped to set up in 2001 in the Alps. It was while leading groups of volunteer litter collectors on the French Atlantic beaches that he had his epiphany. He realised that the rubbish he was picking up during the day was essentially the same as he was throwing in his bins the same evening. He and his wife (‘we have always been on the same wavelength’) set themselves an objective: ‘to reduce their own household waste, over time, to as little as possible.’ He stresses that this was not an easy task. However, starting in 2014 from a full rubbish bin every week, within a year the family of four had brought the amount down to one bin a month. ‘After two years the volume of waste was one bin every six months, and after three years we had achieved almost zero waste of one small jar per year.’ The jar’s name is ‘Bob,’ and it accompanies Jérémie on his speaking trips.

We ask him about the priority steps towards a zero-waste lifestyle. In order, he mentions setting aside and composting organic matter, followed by cutting out costly and unnecessary packaging. He waxes lyrical on the matter of packaging, disparaging the effects of the globalised, monopolising agri-food industry. ‘Which is a key factor in the normalisation of hypermarkets, over-processed goods, intensive farming and the long-distance shipping of produce, not to mention burgeoning inequalities of wealth.’ Where the economy returns to a system of local purchasing and small markets, he says, ‘there are undeniable benefits for the environment, human health and jobs – and the consumer pays less too.’

But the greatest of these is reduce

The top zero-waste priority? Jérémie is adamant about this: ‘Best of all is the waste you don’t produce. By not buying into the logic of constant economic growth, which drives over-consumption of any number of short-lived items, from children’s games to biros to computers, we can avoid the production of materials which will ultimately end as landfill or require energy-intensive recycling.’ Zero-waste living is based around the four Rs: reduce, re-use, repair and recycle. For Jérémie the most important of these four concepts is reduce. ‘Because it makes the others partly redundant. If you don’t acquire the latest smartphone you will never have to worry about getting rid of it.’

So what are the hardest items to cut out? For Jérémie and his family, the greatest bugbear is clothing, because so much of what is available is of poor quality and shipped from distant sweatshops. ‘There is a need for local supply chains of clothing produced from more durable, more sustainable materials, with a renewed focus on repair rather than replacement.’ He also mentions medicines (because of the unrecyclable packaging) and, in rural areas, cars. ‘Finally, a family’s leisure activities can create a lot of waste in the form of discarded bicycles, skateboards and the like.’ However, he stresses that his environmental convictions have not stopped him from enjoying winter holidays, except that his family now favours secondhand or shared sports articles rather than purchasing new.
Rethinking society

When he speaks, Jérémie frequently draws attention to the invisible waste impacts of modern lifestyles – what he describes as the hidden part of the iceberg. ‘Energy-intensive food production and processing is one obvious area in which there are high levels of waste before items even reach the consumer.’ Private transportation is another, and housing is a third. ‘In France,’ he says, ‘fully two thirds of waste is due to the construction industry, and this impact can be mitigated by measures such as eco-housing and the use of renewables in heating.’ Finally, he points to the indirect impact of failing to monitor where one’s savings are invested: ‘Since banks may be financing manufacturing and transport projects that the concerned investor might prefer to avoid.’ In this connection, he recommends examining ethical finance options, such as those with the finansol.org label, to ensure that funding is used for more local or social projects.

For Jérémie, the zero-waste movement is ‘eminently political.’ He sees it as one building brick of many in the return to a better, more sober and more just way of life. ‘This is because it frees consumers, not only from the pressures of consumerism, but also from a paradigm in which food is produced, processed and distributed wastefully in a way that is beyond the control both of government and of society at large.’ ‘Waste,’ he insists, ‘is a symptom of something wrong in society!’ He is pessimistic about the impact of central governments, which he has concluded are either unwilling or unable to make the necessary far-reaching changes. As an example he mentions the grenelle de l’environnement cross-party environmental symposiums under French President Sarkozy, which he believes achieved absolutely nothing, and the resignation in 2018 of Nicolas Hulot, Minister of the Environment, in frustration at the Macron government’s inability to implement reforms. Jérémie’s view is that ‘They’ve stolen our governments and our institutions,’ by which he means that central government now belongs not to the people but to lobbies and big businesses.

Consequently, he believes that change must come from lower down. ‘If nepotism among government and business elites gets in the way of reform, it is for the individual and for local community collectives to take the necessary action.’ And in this connection Jérémie is optimistic: ‘The zero-waste movement is expanding rapidly. In France there is now a network of hundreds of thousands of like-minded individuals, and 250 bulk and organic food stores compared with none just five years ago.’ More than this, however, is the growing involvement of municipalities and local action groups, much as Nicolas Hulot and Benjamin Barber (in If Mayors Ruled the World) have insisted will need to happen. ‘Local and regional authorities,’ says Jérémie, referring for example to the state of California and New York City, are the counterweight to deviant nation states. He considers the potential influence in France of towns and, in particular, supramunicipal local authorities (‘communautés des communes’) to be huge, because they have responsibility in areas such as local economic development, water and energy, public infrastructure and roads.

For one and all?

For Jérémie, progress towards zero-waste solutions therefore depends on the politically driven reorganisation of society. He believes this is achievable from the bottom up because a critical mass of individuals and communities is fast taking shape. ‘People are coming to realise that my family’s way of life is not madness or utopian but a necessary statement for the future of the planet.’ We ask him what, then, prevents even more people from joining the movement. Is it just fear of change, perhaps? He agrees with this interpretation: ‘What and how we buy is a matter of facility. People say the zero-waste lifestyle is too complicated, but it’s really more that they can’t be bothered. But the important thing to remember is the life quality gains. Shopping at the local market is more fun than pushing a trolley around a supermarket. And the food is safer and tastes better. And your carbon footprint is slashed. It’s far more pleasant to live in this way.’
Unleashing a green investment wave

As the first act of its European Green Deal, the European Commission has made proposals on the investment pillar for this initiative. The Commission’s proposals have two main objectives. Firstly, to mobilise the sustainable investments required to reach the EU 2030 climate and energy targets. And secondly, to provide support to territories facing serious socio-economic challenges arising from the transition towards climate-neutrality.

The Commission claims their proposal would lead to at least €1 trillion of investments over ten years, unleashing a ‘green investment wave’. Could this really be the case? Let’s unpack the European Green Deal Investment Plan to get a realistic sense of its firepower and overall impact in the transition towards a climate-neutral Europe.

The investment needs for the European Green Deal

Let’s start with the investment needed to reach the objectives of the European Green Deal. Most estimates of the yearly average additional investment (public and private) necessary to achieve the EU’s current 2030 climate and energy targets are in the range of €175 billion to €290 billion. The Commission itself assumes in its proposals a ‘green investment gap’ of €260 billion per year by 2030. But these figures refer to the current EU targets, centred on the greenhouse gas (GHG) emissions reduction target of 40% by 2030 relative to 1990 levels. President von der Leyen has made clear that in the context of the European Green Deal these targets will be stepped up to slash GHG emissions by 50-55% by 2030. This will clearly imply higher investment needs.

All in all, despite the high uncertainty surrounding these estimates, the additional investment requirements to reach the new 2030 targets could thus ultimately be around €300 billion per year over the decade. It must be emphasised that even if the Commission succeeds in mobilising €1 trillion of investments over ten years, this would just represent a third of the additional investment needs associated with the European Green Deal. This is not a criticism of the Commission, which is trying to make the best out of its very limited budget, but a simple recognition that ultimately only national governments and the private sector will be able to fill most of Europe’s ‘green investment gap’ without the help of the EU. The Commission should now focus its efforts on creating the conditions to allow these players to truly unleash ‘a green investment wave’.
The European Green Deal Investment Plan proposal relies on five main sources of funding:

- **EU budget**: by raising the share of the EU budget allocated to climate and environmental expenditure from 20% to 25%, the Commission seeks to mobilise €503 billion over the next ten years;

- **InvestEU**: building on the mechanism behind the Juncker Plan, the idea is to provide an EU budget guarantee to the European Investment Bank (EIB) and other promotional banks to allow them to increase their risk-taking and to crowd in private investors in order to support investment in Europe. It is supposed to mobilise €650 billion over the next seven-year Multiannual Financial Framework (MFF), 30% of which will be devoted to climate projects. As a result, the Commission expects to unleash €279 billion of public and private funds over the next 10 years, thanks to an EU budget guarantee for the EIB and other national promotional banks when they invest in projects associated with the European Green Deal;

- **national co-financing**: the Commission expects that mobilising €503 billion of the EU budget will trigger additional national co-financing of around €114 billion on climate and environment projects in the next 10 years;

- **EU Emissions Trading System funds**: recalling the 2016 reflections of the ‘Monti Report’ on EU own resources, the Commission proposes to devote 20% of the revenues from the auctioning of the EU Emissions Trading System (ETS) to the EU budget, an estimated €25 billion over the next 10 years;

- **Just Transition Mechanism**: with €7.5 billion of ‘fresh’ EU budget resources (in addition to the resources proposed for the whole MFF in May 2018), the Commission intends to leverage at least €100 billion of investments over the period 2021-2027, with financing coming from other sources under the EU budget (European Regional Development Fund and European Social Fund+), co-financing from Member States, as well as contributions from InvestEU and the European Investment Bank (EIB). Extrapolated for the whole decade, the Just Transition Mechanism is thus expected to mobilise around €145 billion over ten years. (However, one should be careful of double counting, as some of these funds are already counted under other sources, e.g. the InvestEU source.)

On top of the investment component, the Commission’s proposals also unveiled a commitment to revise relevant state aid rules in light of the policy objectives of the European Green Deal. In practice, the Commission would approve – under certain, flexible, conditions – the Member States’ support in a number of areas, from industry decarbonisation to residential energy efficiency, from district heating to the circular economy.

**What is really new in the European Green Deal Investment Plan?**

All in all, the European Green Deal Investment Plan seems to represent a step in the right direction, but some hitches are already worth highlighting.

As far as the 25% allocation of the EU budget to climate objectives is concerned, it should be noted that it is overstretching the case to count the whole €500 billion as a contribution to filling the investment gap, for three reasons. First, because not all this expenditure can be considered as investment, as it is very diverse (from agriculture subsidies to research and innovation funding). Second, because this actually represents an increase of only 5% compared to the benchmark. This means that the additional expenditure represents only €10 billion and not €50 billion per year (as the Commission seems to imply). And third, because – as highlighted in our own Green Deal paper – it is essential that the Commission review the methodology of how expenditure is accounted for as contributing to climate objectives, as the current methodology is flawed, and this element is missing in the current proposal.
With regard to InvestEU, this is indeed the main EU tool to mobilise investments. However, again, the proposal to increase the share of climate-related projects is not new, as it was already proposed by the Commission in May 2018 and agreed in April 2019 by the European Council and Parliament. It should not be counted as additional compared to the baseline scenario. Moreover, in November 2019 the EIB already committed to increase its climate-related financing from 25% to 50%, so it is important to think critically about the pertinence of providing the EIB with additional guarantees to invest in these projects. There are indeed some opportunity costs in putting money from the EU budget in a guarantee fund, as it could be used better by other EU programmes. This is particularly problematic given the warranted scepticism (based on the experience of the Juncker Plan) on the additionality, and thus on the potential leverage, of the InvestEU initiative.

Coming to national co-financing, the amounts mentioned are, again, not really additional and the mobilisation is purely mechanical, as there is no incentive for countries to increase their financing of green projects on aggregate. This only represents a reshuffling of money towards projects co-financed with the EU in that field. What is really needed to push EU Member States to increase green investment is a change in the EU fiscal framework, an option which is substantially watered-down in the Commission's proposal (which just mentions the possibility of discussing this idea in a future ‘debate on how to improve EU fiscal governance’).

Finally, it should be underlined that the amounts of ETS funds will be completely dependent on carbon prices, and for the moment nothing has been announced by the Commission on that front to increase the price significantly. This represents an urgent front in the context of the European Green Deal.

The Just Transition Mechanism

The Commission’s proposals also contained more detailed elements on another crucial pillar of the European Green Deal, namely the Just Transition Mechanism. In practice, this initiative will rely on three main pillars to reach the €100 billion threshold promised by President von der Leyen:

- the creation of a Just Transition Fund endowed with €7.5 billion of ‘fresh money’ (which would be added to the total amount proposed in 2018 for the 2021-2027 MFF). This is supposed to lead to between €30 and 50 billion of additional funds for the regions most affected by the transition;
- using some part of the InvestEU financing devoted to climate to support a total of €45 billion of investment in ‘Just Transition’ projects between 2021 and 2027;
- the creation of a public sector loan facility at the EIB partly guaranteed by the EU budget to mobilise between €25 to 30 billion of additional public investments in 2021-2027.

There are not many details on the second and third pillar of the Just Transition Mechanism, as the regulation proposal is focused exclusively on the establishment of the Just Transition Fund. However, on the InvestEU pillar, the Commission’s communication explicitly mentions that the negotiations on InvestEU, which resulted in an agreement between the European Council and Parliament in April 2019, will not be re-opened. This means that the Commission intends to set aside a portion of the financing devoted to InvestEU climate and environment-related investments for ‘just transition’ labelled projects. This represents a share of the provisioning of around €1.8 billion of the EU budget guarantee for the InvestEU programme to reach €45 billion of investment in ‘Just Transition’ projects between 2021 and 2027.

As far as the public sector loan is concerned, the only detail specified for the moment is that the EU budget will contribute with a guarantee of €1.5 billion. However, the proposal does not explain where this money comes from and what EU programme will have to be cut by a similar amount to create this new guarantee. This is problematic. Moreover, we doubt that this last initiative will be very useful at a time when EU countries can finance themselves very easily at very attractive (and in some cases even negative) rates.
Coming back to the Just Transition Fund, the regulation proposal provides more details on the type of projects for which the money will be used. Some of it will be used to invest in private projects and in particular in small and medium sized enterprises, but Member States will also be able to use the funds to invest in human capital (e.g. re-skilling and job search assistance). The proposal also explains how the funds will be distributed geographically and what the criteria to access them will be.

As described in detail in the allocation method, set out in the annex to the proposal, the funds will be pre-allocated by Member States depending on multiple criteria: mainly on carbon-intensity and potential job losses in carbon-intensive sectors (coal, peat, oil shale, and manufacturing). However, in order to access the Just Transition Fund, Member States will have to use part of their ERDF and ESF+ funds on these projects, and they will also have to directly co-finance projects. Finally, Member States will have to submit ‘territorial Just Transition plans’ for the most affected regions to justify the funds and to show how they plan to fulfil their climate objectives. Access to the fund will be conditional on the approval of these plans by the Commission.

The pre-allocation might not be the best solution in order to reach the most useful - and perhaps not the best performing - projects in theory, and it might have been preferable to have no ex ante allocation, as is the case for the projects supported by the European Globalisation Adjustment Fund. But, at least, applying strict conditions is a good idea, given that the fund was created to convince countries to commit to the EU’s ambitious climate targets. The Commission might thus have found the right balance between pre-allocation and conditionality.

**New finance paths needed to achieve the Green Deal**

Overall, €1 trillion sounds like a big number, but by itself the plan will not be sufficient to deliver the investments needed for the European Green Deal: an additional €100 billion per year over ten years would have represented only one-third of the additional investment required in Europe to reach the new 2030 EU climate and energy targets that President von der Leyen has pledged to put forward. The plan will not even deliver these additional €100 billion per year in reality, as it will mainly consist of reshuffled funds from different existing programmes.

To be fair, it would have been difficult for the Commission to do much more, given the limited size of the EU budget. But this clearly demonstrates that there are other key tools that need to be used to unleash green investments in Europe.

One of these main tools is the EU fiscal framework, which should be reformed to authorise deficit-financed green investment. That is, EU countries should be allowed to seize the opportunity presented by low and even negative interest rates, to invest in green assets. This is the most important tool at the EU’s disposal.

Finally, the Commission should focus on putting in place an enabling framework for private investments to be made. Carbon pricing has an essential role to play in that regard and this is an area where action is required.
How we evolved to put climate into everything – EIB becoming a climate bank

By Nancy Saich, European Investment Bank

During the last decade, the European Investment Bank (EIB) has presented itself - not only as a multilateral development bank – but also as the EU’s climate bank with climate action as one of its top priorities. The EIB has now announced increased ambition in climate and environmental sustainability. In the European Green Deal, too, the EIB has been allocated a major financing role – backed by EU budget guarantees as provided for in the InvestEU instrument. That instrument also concerns certain climate goals, and is essential to the Next Generation EU recovery funds, launched by the European Commission on 27 May 2020 in response to the Covid-19 crisis. Nancy Saich is the EIB’s Chief Climate Change Expert, and for many years has led the bank’s work on climate finance and impact reporting. Below she provides insights on how the EIB has developed its climate focus, its investment plans for the future and how auditing has helped the EIB to reach its green goals and set higher standards… for the benefit of the planet.

Climate investments – shifting from promise to proof

A lot has happened in climate finance investing and sustainable finance in the past ten years. The many technical advances might be enough to save the planet – but we have to stay focussed on the scale of Greenhouse Gas (GHG) reductions needed and importantly on the speed with which we must reduce them.

The big changes at the European Investment Bank and at many other public and private banks started a bit more than ten years ago, when people became more aware of the problems surrounding climate change. Investors started calling for their investment money to support low-carbon causes, and then later as we all realised the importance, in adapting to climate-change impacts. Climate finance tracking and climate finance targets were born. In the past, you could largely say to people that we finance this green project or we do that thing for the climate, and everybody believed you. That is not the way it is today. First, investors started asking for robust proof that money was going where it was promised. People realized that we have no time left to put our money in the wrong places. If we are going to make a huge effort to mobilise billions in private finance and develop climate projects around the world, we need to be sure that we are really
having an impact directed at solving the climate problem. That’s because according to the IPCC – the Intergovernmental Panel on Climate Change, we are almost out of time to make the changes needed to keep humanity safe on its home planet.

The auditing and robust reporting at the EIB were a natural result of these changes, which started when investors and other people started calling for more proof of our actions. They wanted more information, they wanted to understand the impacts of the projects and whether or not our climate finance was doing what was expected. And actually this has been very important – investors and stakeholders have the right to challenge us, and so do the auditors. This helps everyone to do better and strengthens our climate efforts.

**Mitigation and adaptation**

If you go back more than ten years, people were aware of the need to address climate change and were very focused on certain types of mitigation investments, like renewable energy and energy efficiency, and this then expanded to other mitigation efforts such as afforestation, low carbon transport, resource efficiency etc. But there was not a lot of talk about another important part of climate investing: adaptation. Apart from the scientists, I did not see a lot of people in finance who thought that climate change adaptation was something that we were going to be worrying about for quite some time in the future. Adaptation experts were obviously aware but the finance industry in general was not. Then we started seeing more studies and more evidence that the climate was changing faster than we thought, and that we were already seeing significant economic and social impacts of more extreme weather and other effects of climate change. This is when adaptation started to catch up with mitigation. What was very important was the decision in the 2015 Paris Agreement to give equal weight to mitigation and adaptation. Many banks then started keeping track of climate finance for mitigation and adaptation at the same time.

In 2015, the EIB had also published its Climate Strategy, putting all its climate efforts under one overarching approach. This was in fact EIB’s contribution to the pre-Paris negotiations. At this point, we were thinking more about the new idea of climate mainstreaming. We helped launch the Climate Mainstreaming Principles at the COP21 climate conference in Paris and these changes were really about taking account of ‘climate in everything we do.’ Mainstreaming refers to the shift from financing climate activities in incremental ways to making climate change a core consideration through which financial institutions deploy capital. So climate action became a wider and more strategic issue at the EIB.

Around this time, it became clear that investors and other parties wanted to know whether what we were doing was really climate finance or whether it just looked good and sounded good. We had been working for several years on harmonising climate finance (Climate Action) reporting. The Bank, together with other multilateral development banks and public banks, published in 2015 a harmonized approach to climate finance, showing that International Financial Institutions (IFI) agreed on common definitions and robust reporting. The EIB’s leading role in all the efforts to harmonise data and develop joint agreements on green investing were another kind of verification of our openness and concern for clarity and transparency. And at that point, as we were changing our internal quality assurance procedures, we also started the outside auditing of the greenhouse gas figures from our investments and then the Climate Awareness Bonds (the Bank’s Green Bond) and then the Bank’s annual climate finance figures. This was a major step forward for us in robustness and transparency, because the auditing gave people a second and importantly external opinion on our climate lending and borrowing activities.
Since 2007, the EIB Group has published a yearly Sustainability Report. The EIB Group is the only international financial institution to have this type of report independently reviewed by external auditors. The Bank also follows Global Reporting Initiative standards at the highest level. Since 2016, the EIB has published the Climate Awareness Bonds Statement, including detailed reporting on the bonds’ impacts.

**Meeting the Paris goals**

Following the 2015 Paris Agreement, the discussion developed that climate finance is not enough by itself. Of course we need to focus on the things that really help solve the problem. But - it does not help if we are climate-focused in one area, but also finance things that are causing the climate problem. Article 2 of the Paris Agreement talks about making finance flows consistent with the climate goals. All the multilateral development banks realized early on that they would need to respond to Article 2. This is much more than mainstreaming. This is about making sure that everything we do is supporting the goals of the Paris Agreement and not undermining them. The evolution over roughly the past decade can therefore be seen as a path in which we start from a focus on mitigation, to a focus on climate finance including adaptation, to mainstreaming climate tools, and then to understanding that a systemic change is needed in the financial system as a whole. And that everything we do, all the financing activities we do, need to be compatible with the Paris goals for both temperature and climate-resilience.

The Paris Agreement aims to keep global warming well below 2 degrees, aiming for 1.5 degrees. Scientists estimate that we are heading for 3-4°C of temperature increase by the end of the century. If that happens, large portions of our planet will become uninhabitable, with disastrous consequences for people around the world. According to the most recent UN Emissions Gap report, countries will need to reduce emissions by 7.6% a year in the next decade to meet the 1.5°C target. Yet, emissions worldwide have been increasing by 1.5% per year in the last decade. IPCC reports have highlighted that if we do not keep the increase below 1.5 degrees, millions more people will die. Millions more people will be exposed to more extreme floods and droughts. The difference between 2 degrees and 1.5 degrees does not sound a lot, but it will make the difference between a significant amount of warm water coral loss or an unmanageable and almost complete loss of warm water coral – with all the implications for the nature and people that depend on them. When the latest scientific information indicates so clearly all the damage that can occur, it is not optional to target 1.5 degrees. There is no real alternative. Therefore EIB’s new Climate Bank Roadmap 2021-25 and our climate finance (see also Figure 1) will be focussed on the 1.5 degrees temperature goal.

**Figure 1 – EIB investment totals in 2019**
Another systemic change getting attention right now, is the emphasis on sustainable finance, which in addition to climate change, addresses areas like environmental degradation, biodiversity loss, pollution, plastics in the ocean. It is bringing a total rethinking of our economy to adopt a more circular approach. This is not to take attention away from the fight on climate change but to add these other aspects that needs to be thought about and addressed at the same time, together with vital social-equality and inclusion issues that also link to the climate and environment debate.

On the issue of sustainable finance, the EIB meets regularly with other development banks, international finance organisations and governments to improve the standards around sustainable finance and its reporting. The EIB has assisted the High Level Expert Group on Sustainable Finance to classify climate change mitigation activities. Over the last nearly two years technical experts from the bank have been active Members of the EU’s Technical Expert Group (TEG) – working on ‘green’ definitions – the EU Taxonomy – specifically those activities and investments that make a substantial contribution to climate change mitigation, and climate change adaptation. Our colleagues from EIB’s Finance Department have also been very active in the TEG work on the EU Green Bond Standard. This is fantastic ground-breaking work that will go forward now through a permanent EU Platform for Sustainable Finance.

The Bank issued the first green bonds in 2007 and has been a key figure in improving standards in the green bond market. Together with everything else, this gives us credibility when we go into discussions with different groups on developing global standards around green investing. People know that we have the sectoral knowledge and the experience of being transparent and robust in our reporting and they trust that we will put that robustness and experience into all the work we do including into wider EU taxonomies and standards.

So – going into the critical decade that I mentioned, the EIB Group is ready to continue supporting the EU Commission and EU and partner countries in their sustainability plans, the pursuit of the Sustainable Development Goals and the Paris Agreement on climate action. We also are assisting with the new Green Deal, including importantly a revision of the EU Adaptation Strategy, and on the next steps of the EU Taxonomy on green investments – going beyond climate to four other environmental objectives. It is a lot of work but the EU is taking a lead role to address the climate and environmental emergencies and as the EU Bank – we must do so as well.

**The dual-purpose plan**

Today, the Bank has a dual plan that addresses both climate action and environmental sustainability. In my view there are three reasons why the bank is absolutely right to make this move from climate action to the wider approach on climate action and environmental sustainability:

- there is the big picture of the dual emergency of the climate and environmental crises - the biodiversity losses, the ecosystem collapsing, pollution, acidification in the oceans. These are all linked, so we cannot address the climate without the environment;

- the dual plan supports the EU’s sustainable finance and green action plans. The Bank is putting into practice EU policy by adopting sustainability on a wider basis, including the important related social issues;

- this is a practical evolution: to help people and communities adapt to current and future climate change, we need to deliver more and better adaptation measures– and these actions are often found closely linked to environmental sustainability objectives such as sustainable water use, and nature based solutions.
As part of this new exciting and ambitious plan, the Bank announced a new energy lending policy that will end financing for conventional fossil fuel energy projects by the end of 2021. As the EU Climate Bank, the EIB Group also pledges to unlock €1 trillion in climate action and environmental sustainability investment in the 10 years ending in 2030. We will align all financing activities with the goals of the Paris Agreement from the end of 2020. And the EIB itself will gradually increase the share of financing dedicated to climate action and environmental sustainability from 31% in 2019 (audited figures!) to 50% of our overall financing by 2025.

To make sure we meet these goals, we need solid, scientifically based definitions and robust reporting. The EU Taxonomy will help! And so will our auditing - which has already helped us to improve our reporting, our paperwork and our processes. It helps us continue to be transparent and lead from the front on the robustness of our reporting. Anybody who has actually been through an audit knows that there is a lot of preparation and sweat! And there are monitoring processes, and standards and procedures to be put in place.

But at the end of the day, the effort is worth it, because audits actually help everyone. They bring a new pair of eyes. They help us develop better systems, be more efficient and document things better, which in the end saves us time and effort later, because we have documented projects properly at the beginning. Audits require a lot of work, but they make sure we are ready when stakeholders or investors come to us, with queries about what we are doing to address climate change and what our green bonds are supporting. Audits give us solidity internally and externally. They help us to know that what we are doing is correct now and to consider where we need to go in the long run. They will help us reach our green goals, and set a high standard for ourselves and others as well, which is a benefit to the whole planet.

**Box 1 - Climate emergency response**

EIB Bank Group dramatically increases climate and environmental goals:
- €1 trillion in climate action and environmental sustainability supported by EIB Group from 2021 to 2030;
- climate action and environmental sustainability to reach 50% of EIB financing annually by 2025;
- align all EIB Group financing activities with goals and principles of the Paris Agreement by the end of 2020;
- stop supporting traditional fossil fuel investments by the end of 2021 and increase financing for climate change adaptation.
When looking at the EU’s energy needs in combination with its climate and economic challenges, fuel cell and hydrogen technologies have great potential. Both the European Green Deal and the European Commission’s proposals to address the Covid-19 economic aftermath, for example in its ‘Next Generation’ proposals, have identified hydrogen as an essential pathway towards the EU’s energy transformation and climate ambitions. But how to stimulate and propel these new technologies towards substantial use and application in the future? Bart Biebuyck is the Executive Director of the EU’s Fuel Cells and Hydrogen Joint Undertaking and therefore the right person to interview to get an overview on where the EU stands in the development and deployment of these technologies. And how the EU can keep its edge in the world in this area.

A Fuel Cell and Hydrogen Joint Undertaking to bring ecosystems together

What is in a name? And what is behind a name? When discussing this, Bart Biebuyck understands that FCH JU might not be an easy acronym to come to grips with for the general audience. ‘FHC stands for Fuel Cells and Hydrogen and JU for Joint Undertaking, reflecting that we are a public-private partnership. That means that the public side is working together with the private side in order to accelerate the development and introduction of fuel cells and hydrogen technologies to the market.’

He explains that in 2008 the policy makers decided to work together with industry in this area. ‘Why? On the one hand because industry knows the technology very well and is in the best position to say what they need. On the other hand, the FCH ecosystem at that time was very fragmented – many countries, some fantastic researchers, you had some SMEs here and there. And it was considered important to bring this sector together to really build an ecosystem, which at that time did not exist.’ On that occasion industry and the research communities organised themselves into two umbrella organisations, called Hydrogen Europe Industry and Hydrogen Europe Research. ‘The public side is represented by the European Commission, with three directorates: DG Research and Innovation (RTD), DG Energy (ENER), DG Mobility and Transport (MOVE).

One of the characteristics of the sector is the high number of SMEs, says Biebuyck. ‘Today 50% of our industry is still SMEs. In a way, we are very important for the SMEs, for their survival and development. The SMEs are also at the core of innovation. Through our instrument (the Joint Undertaking) we bring the SMEs together and we put them in contact with bigger companies - who are interested in investing in them.’ He considers this a very positive
development, since SMEs need money to be able to grow, to invest in manufacturing and bring their products to the market.

Another essential point that Bart Biebuyck identifies is that the Joint Undertaking’s role is to bring the ecosystems together and to set the framework for them to build up the plan, the roadmap for the sector. The Joint Undertaking helps to build trust in the sector and to bring private investment into the sector. As a third point, he sees the Joint Undertaking as a flexible and smart instrument which can bring benefits to citizens quickly. ‘We are a small organisation; we can very quickly address the changes in the market. What you see today is what we realised we could do fast, thanks to our flexibility. For example, we brought hydrogen buses to the market and the citizens can now sit in the bus, they can feel, they can experience this new technology.

He adds two other examples relating to the direct benefits for citizens: ‘Let’s take the garbage trucks projects. We now have projects building trucks for, I think, eight cities in Europe, to be put there for use and demonstration.’ He points out that people will benefit from them since there is no noise, no harmful emissions. The advantages for the workers on those trucks are just as important. ‘The people who walk behind such a truck told us that it was a big benefit for them. First, there is a healthier environment for them to work in. No emissions, but also less noise, so it is easier to talk to each other. This gives them a much better working environment as a whole.’

Another example relates to the FCH JU’s contribution to building a network of hydrogen refuelling stations in Europe - which is essential for putting the vehicles on the road. ‘We have supported more than 50% of the stations that are in Europe now. We have around 140 stations in Europe. The majority are in Germany. People started to notice that because we are building the hydrogen refuelling stations in the existing fuel stations. Initially it was a separate station, because we needed to gain experience, but now, for example, Shell and Total are building and integrating the hydrogen refuelling systems within their normal fuel stations. When people go to refuel they see those stations, they can see that another technology is coming.’

Bringing hydrogen to market use

The citizens looking to buy hydrogen vehicles have long been confronted with a chicken and egg type of dilemma: as long as there is no distribution network, there is less incentive to buy a new technology dependent on such a network. Bart Biebuyck agrees that there is such a dilemma. ‘The way we try to solve that in our projects is working with fleets, such as bus or taxi fleets, or for the police. For example in London and Hamburg, or in Paris, where they aim to have a fleet of 600 hydrogen taxis. They are buying a higher number of hydrogen cars and then it makes sense for us to build these fuelling stations.’ The idea is that if you have several of these ‘hydrogen fuel hubs’ you can at some point consider connecting them by putting a station in between. ‘This is the strategy we are applying at the moment, which seems to be quite successful. The biggest challenge is to make sure you have enough uptake, otherwise those stations will, at some point, disappear, or not be maintained anymore.’ He adds that this is now a strategy that seems to be working out fine.

How important the refuelling stations are comes across in the great enthusiasm with which Bart Biebuyck shares a success story that puts the EU in front of the competition in this area. ‘Nowadays Europe is really the world leader in this technology related to hydrogen refuelling stations. ’
A company in Denmark, with our support, has built the first factory of the world for producing hydrogen refuelling stations on a production line. He proudly calls it the FCH JU’s ‘Apple story.’ These were four students, starting in their parents’ garage, working with hydrogen – building the plans for hydrogen refuelling stations, generators, several other applications. At some point, since they had to focus, they decided to concentrate on hydrogen refuelling stations. They have been involved in our programme from the very start and they have been growing significantly in the past years. With a laugh, he adds that now they have about a hundred people working to produce 300 refuelling stations per year. They have contracts in Korea, in the USA and also in Europe, of course. It is a great success for us! Two years ago, the CEO of the company came to the European Parliament to thank the parliament, saying “Without Europe we would never be where we are today.” It was a nice story!

Besides availability, another aspect that hydrogen is often linked with is safety. Bart Biebuyck is very explicit: ‘In our projects safety is always the number one priority.’ He gives an example of this aspect related to cars. There is absolutely no problem, never had an issue with a hydrogen car. Why? The standards that have been set for example for the tanks: normally they are built to withstand double the pressure, so 1500 bar, of the 700 bar a tank will get when refuelled. He gives a rather unusual example of how the tank pressure is tested sometimes in practice through an impact test. ‘They shoot with a Kalashnikov at the tank. And the outside of the tank should not show any cracks. After they do the test, they cut the part and check if there are any micro-cracks in it. There are none!’ He explains that these tanks are made out of incredibly strong carbon. And that there are similarly high safety requirements which are applied to other aspects, for example, to prevent leakage. ‘Due to these safety standards hydrogen cars can go into parking garages, unlike LNG fuelled cars.’

Leveraging €100 million for calls for hydrogen proposals annually…for carbon neutrality and job creation

Speaking about numbers and funds available to the JU to promote projects and maintain its platform function, Bart Biebuyck specifies that annually the JU has about €90 to 100 million available for calls for proposals. ‘This is what we do, the backbone of our activities: support innovation and industry financially by launching calls. At the moment we have a few more than 1000 beneficiaries in our portfolio - SMEs, research institutes that benefit from our calls.’ He adds that the leverage effect of the JU funds is close to 3: ‘Overall, for every euro of public money around €3 of private money has been put in. It depends how you look at it. You have a direct leverage effect of 1 to 1; if we include the additional investments, we get an effect of 1 to 3.’

These investments also have a substantial bearing on job creation. The Executive Director separates two aspects here. ‘You have new jobs, net jobs. But you also have replacement jobs. We are, of course, mainly in the area of replacement jobs. Why? Because we need to move from the fossil fuel industry to a non-fossil fuel industry. Relating this to a sector already discussed – the transport sector – he explains that to move from diesel to fuel cell technology, the workers on the production lines need to change to another type of technology.
‘But you somehow safeguard those people’s jobs. Because, if we did not invest in zero emissions technology in Europe maybe they would lose their jobs. With this need to change, it is very important to have training programmes to support that change, to enable that transition to happen.’

Speaking in numbers, Bart Biebuyck specifies that there around 60,000 jobs in Europe in this field. ‘A couple of years back we were at just a few thousand. Especially in the last four to five years we have seen, thanks also to the 2015 Paris Agreement, a very steep increase. We see many politicians, but also big companies, suddenly realising that they need hydrogen for their decarbonisation targets.’ With the European Green Deal, this realisation regarding the need for hydrogen technology has increased. ‘When we talk about trucks, trains, maritime, aviation - it is clear that without hydrogen it just does not work. There is no other technology that can provide zero emissions. Policymakers understand that they, that we, need hydrogen!’ He explains that for cars you might have several types of technology but that for high and intensive use vehicles hydrogen is the solution. ‘You can choose natural gas but that is not zero emission. It is less CO₂, but it is not zero emission. The higher you go – towards heavy-duty transport - the clearer it is that you need hydrogen. That is something that everybody agrees with now.’

Another application of hydrogen, much less in the public eye, relates to heavy industry. But it clearly is a priority in the portfolio of the FCH JU. Bart Biebuyck: ‘The steel industry is responsible for 7% of global emissions. They have realised they need hydrogen to decarbonise, to make low carbon steel, or green steel.’ Bart Biebuyck is clearly knowledgeable on the big developments taking place in that sector. He gives the example of a steel company in Linz, Austria, where, with the support of his JU, a 6-megawatt electrolyser is being built. ‘We want to demonstrate it can be done. Even if 6 megawatt is very small - big for the hydrogen sector but small for the steel industry, looking at their needs of 1 gigawatt. But we will get there!’ He explains his optimism for scaling up rapidly, indicating that ten years ago electrolysers fuelled by hydrogen were on a kW scale. ‘Our latest project in the Netherlands is 20 megawatt and much cheaper, we have reduced the cost enormously. When we reached the 4 megawatt size, we saw the big industries like steel, food, but also refineries and sometimes cement and fertiliser industries getting interested, with a price starting to approach commercialisation.’ For him it is clear that now a number of them are willing to try it, to build those electrolysers in their plants. ‘We have a very nice project also in Austria in the food industry - an industrial bakery. Sometimes we forget, but food creates CO₂ as well. If we have 800 g of bred, it is equal to 800 g of CO₂. Imagine all the bread we eat!’

Milestones towards carbon-free hydrogen production

The production of hydrogen can be done in several ways and to produce this without CO₂ requires energy from renewable resources, such as wind and solar. Bart Biebuyck sees very positive developments here. ‘The biggest costs of green hydrogen are electricity costs, and we see the costs for renewable energy from wind dropping enormously. In Portugal for example - there they were going for less than 10 cents per kWh of renewable electricity. For us this is enough. If we can get renewable energy at that target price, we can produce green hydrogen equal to the price of the grey hydrogen - fossil fuel hydrogen. But it is not like that everywhere yet.’

The steel industry (…) have realised they need hydrogen to decarbonise, to make low carbon steel, or green steel.

If we can get renewable energy at that target price, we can produce green hydrogen equal to the price of the grey hydrogen - fossil fuel hydrogen.
At the same time, he also sees Europe’s limitations here. ‘When we talk about green hydrogen, it is clear that in Europe we will never have enough renewables for all the hydrogen we need.’ He sees two solutions for that. ‘First - and an immediate solution - is to produce blue hydrogen. To produce blue hydrogen, you use natural gas as a base, but you capture the carbon and store it by CCS - Carbon capture and storage.’ He sees this happening in the Netherlands and in the UK: there they will do CCS immediately. ‘Simply because there will be a huge demand for hydrogen and we will not have enough renewables. To avoid stopping the market’s development and to continue the decarbonisation of our society we will probably need blue hydrogen, as an intermediate phase. However, blue hydrogen will not be there for eternity. Maybe 15 to 20 years.’

Regarding the second solution, he refers to a statement from the European Commission’s Vice-President, Frans Timmermans: ‘He said he has a dream that one day we can obtain green hydrogen from Africa. And this is the other, more long-term solution: importing green hydrogen.’ He adds that Italy is already discussing with Algeria about bringing green hydrogen to Europe through a pipeline. ‘We already have infrastructure there, pipelines for natural gas between Africa and Europe – between Morocco and Spain, Algeria and Italy.’ He refers to other regions in the world, such as Chile, Oman or Australia. ‘There are many areas where you have a lot of sun or wind or both. Much more than in Europe. In the Sahara, producing electricity with a solar panel, that solar panel would generate three times more electricity than a similar solar panel here in Brussels would do, simply because of the strength of the sun.’

When speaking about buying green hydrogen, certification enters the picture. Bart Biebuyck: ‘We need to make sure that the definition of green hydrogen that we have in Europe is the same in Africa, Australia, etc. Therefore, we need a certification process for the hydrogen and we need to agree how to define the production and the leakage of CO₂ in the whole process. We want this definition to be the same anywhere in the world.’ He explains the steps that FCH JU has taken towards this. ‘Several years ago we started a project called CertifHy. With CertifHy we want to provide guarantees (of origin) for the hydrogen and to ensure that the EU Member States and other countries across the world align.’ It turns out that CertifHy entails a platform for discussions between the stakeholders in order to arrive at common definitions and agreement on setting-up such a scheme. ‘It will be very important for Europe that we agree on these common definitions soon, and also the trade agreements for hydrogen imports. We, as Europe, can set standards here because we are leading in hydrogen technology.’

Possible impediments on the route planned

To what extent will external – rather unforeseen - factors influence the development of hydrogen technology? At the time of the interview, oil prices were at an all-time low, due to the Covid-19 conditions. Bart Biebuyck believes that if such a factor comes into play, it will only be temporary. ‘We have many policies already in place that will drive hydrogen uptake.’ He refers to the European Green Deal again, which contains specific targets for the change to hydrogen. ‘Also, the Renewable Energy Directive – RED II – was very important, changing the calculation of grey hydrogen by refineries for the reduction of CO₂. Before RED II the refineries could use grey hydrogen, because the refineries need hydrogen for desulphurisation of the fuel. With RED II the upstream emissions will be taken into account. So if they can reduce upstream by using green hydrogen instead of grey hydrogen, then they can reach their targets at a cheaper price.’

Here as well, there are big numbers hidden behind the technical aspects. ‘Normally, for one refinery, if they want to replace grey hydrogen with green they would need to install one gigawatt in electrolysers. It is huge! If you take the number of refineries in Europe
plus the number of steel plants, you can easily calculate that by 2030 we would need around 40 gigawatt of electrolysers to be built in Europe to supply all the hydrogen in order to reach the targets that we have put forward for 2030. Because the Green Deal says: 50 to 52% CO\textsubscript{2} reduction is necessary by 2030. Without hydrogen it will not work! They need to have it.

The Executive Director is pleased to see that the politicians are realising this more and more, referring to the Commission’s President von der Leyen’s speeches, underlining the need for partnerships on hydrogen.

Behind these targets lies the challenge of having sufficient capacity to meet the high-tech and high volume needs. Bart Biebuyck indeed has a concern there. ‘At the moment the industrial capacity is not available to do that. But that is ok, because our sector is based on working with SMEs. When we look at the electrolyser industry, from a technology point of view, we have a three-year technical lead compared to the rest of the world.’ He explains that in Europe production factories might now be approaching a yearly production capacity of one gigawatt per year, all together. ‘The calculation is easy - if we need to build 40 gigawatt in ten years, we will have to scale-up. This is what is happening at the moment, with big companies investing in SMEs and building bigger factories. Take, for example, Hydrogenics, a small electrolyser company in Belgium, with less than 100 employees, bought by a big U.S. company. Or McPhy, a French SME, bought by a big player in Europe. These are the dynamics we need to see in order for the SMEs to be able to scale up.’ He underlines that for this scaling up process support from the European Commission, from the European Investment Bank, will be crucial, providing loans to these SMEs and ensuring that the regulatory framework is crystal clear. ‘Fortunately there is huge support for this inside the Commission.’

One sector, considered highly polluting and not hindered by CO2 taxes yet, is the aviation industry. Bart Biebuyck is optimistic that hydrogen will soon offer solutions there too. ‘Within a few weeks we will release a study on hydrogen in aviation, which we did together with another joint undertaking - Clean Sky, an example of the intensive cooperation we have with other joint undertakings. There is a huge potential for hydrogen in this sector, to achieve more energy efficiency than we have today. I cannot say much more about it since the study needs to be finalised, but it is definitely something to keep an eye on since this can change the industry.’

He believes that Europe could be leading in this area, too. ‘We have many regional flights. If Europe really wants to be the first continent to be carbon neutral we should demonstrate what can be done in that area and some flight lines, for example, should decarbonise. But this is pure hydrogen, zero emissions, flying, of course.’ The Executive Director refers to another project his JU has, the so-called e-kerosene project. ‘We will produce green hydrogen to help to make the e-kerosene; but again - this is an intermediate step. It will reduce the amount of CO\textsubscript{2} emitted by the kerosene. He adds that this e-kerosene will be used in KLM flights. ‘This is part of our project in the Northern Netherlands. That region is part of what we call “Hydrogen Valley.” Back in 2019 we launched a call for building the first Hydrogen Valley in the world in Europe. The Americans have their Silicon Valley, we decided to build the first Hydrogen Valley in the world, in Europe.’

Launching the Hydrogen Valleys

The Hydrogen Valley aspiration goes far beyond e-kerosene. Bart Biebuyck explains that the JU launched it in 2019 but the planning started back in 2016. ‘We contacted all the regions in Europe and we were asking - do you want to do something with hydrogen? Do you want to work with us? Some regions wanted to go all the way - to become the Hydrogen Valley. We then launched a call for €20 million. In the end we selected the
Northern Netherlands: it was the best proposal of the six regions which applied. He adds that the main criteria for selection was the ability to demonstrate the sectoral integration aspect, meaning you have to show that transport, energy, hydrogen production, hydrogen distribution, heating and cooling of buildings are all done by using hydrogen. ‘We wanted an integrated project. It is an entire system, not only demonstrating 20 hydrogen trucks or 20 buses. No, they had to demonstrate storage underground, to demonstrate production, etc. It is nice to see that Germany has replicated this initiative, and launched a call for Hydrogen Valleys in Germany. Now two areas in Germany are Hydrogen Valleys as well.’

The Hydrogen Valley initiative recently went global. ‘In April 2020 we launched a global platform for Hydrogen Valleys. When we presented the idea at a global level, we saw that the USA, Japan and Australia said that was a fantastic idea, they wanted to join.’ That is why the JU set-up this platform for Hydrogen Valleys, so that countries can exchange ideas, learn from each other. ‘A Hydrogen Valley in Australia will connect to us on that platform and we will exchange good practice, thereby accelerating the uptake of the hydrogen society. Because it is clear that only one hydrogen valley cannot do it, it needs to be a worldwide initiative.’

**Making the energy revolution happen**

Bart Biebuyck is clearly a believer in hydrogen and able to transfer his enthusiasm for this solution to others. He had been working with hydrogen solutions well before he became the JU’s Executive Director in 2016. ‘I started to work on hydrogen cars with Toyota, when the first prototypes appeared back in 2007. We launched a car in 2014/2015. Working on that I became a true believer in this technology. Now it is confirmed - we need that technology, but back in 2007 that belief was not there yet.’ He believes we need hydrogen, as a society. ‘So we launched the first car in Europe back in 2015 and I was building the first refuelling station in Belgium. But I thought: “Toyota alone cannot do it; this has to be done on the largest scale and across Europe.” He found it obvious that there was a very important role to play here for the EU, to make sure that hydrogen technology can be rolled out all over Europe. ‘And I wanted to be part of that! I wanted to have impact, to make sure that Europe would reach its decarbonisation targets. To achieve that, I was and I am convinced that hydrogen needs to be part of it. My ambition to achieve that was - for me - the main driver to join the JU.’

He foresees, after a digital revolution, an energy revolution taking place. ‘No doubt this will happen. I think that now, with the Covid-19 pandemic, we will see how it evolves. It can go in two directions. First, it can really accelerate it. If you really want to support the economy, to get it back to where it was before and even beyond, we will need to have huge investments. We have a unique opportunity now to invest in the right technologies, to do it right. This is an ideal moment, to put money now into creating jobs, into creating growth, while at the same time making sure that we will reach the Green Deal targets. You know that for our industry we estimate that in Europe, by 2050, we can create 5.4 million jobs!’ He also believes that people will realise that, with the current health concerns, climate will become more and more important. ‘Clean air is important for our health and we should invest in that. If, at the same time, you can say “Look - we can generate jobs and growth with this”, I think we will get enough support from the public to go in that direction.’

He believes that support will increase when people can ‘touch’ the new technology, for example by buying a hydrogen car. ‘What you will see in the next five years is that more and more car manufacturers will come out with a limited number of hydrogen cars as a limited series, different brands focusing on different models. After 2025 I foresee real mass production, with 100 000 being the number that you need to be commercial.’

"In April 2020 we launched a global platform for Hydrogen Valleys. (…) only one hydrogen valley cannot do it, it needs to be a worldwide initiative."
To arrive at this, and to achieve the other targets set for hydrogen, the FCH JU Executive Director believes the EU has to cherish the partnerships created in this area, and adapt the budget it wants to invest. ‘We are now talking about the next multiannual financial framework - the next MFF – in which this hydrogen partnership is really strengthened’. This also means talking about budget: ‘At the moment, for the next partnership the industry is requesting the doubling of the budget. Of course, you can say it is very easy - everybody wants more money. However, in our case it is very different. We are asking for more money because we have more tasks than before.’

Bart Biebuyck gives some convincing examples related to scaling up. ‘If I want to demonstrate one car, I might have to provide support of €20 000. But if we are scaling up and extending, we need to think about planes, trains, ships. If I want to demonstrate one ship, it may cost €10 million.’ Another aspect is to show that the technology works in different places. ‘With more budget we will also be able to demonstrate projects in Eastern Europe. This is crucial, to avoid a two-speed Europe, to make sure that hydrogen technology will be introduced in all 28 Member States.’ He underlines that the Member States share the same visions but it is still a bit more difficult for Eastern Europe to get there. He gives an example of a project in Slovenia, in Velenje, a region traditionally working with coal and that has selected hydrogen to change, giving their young coal miners a new future with hydrogen-related jobs, enabling them to make that transition. ‘So we need to give them extra support. Another argument for extra budget.’

**Working together to keep a leading edge**

When discussing where he sees a role for the ECA in this transition to a more hydrogen-based society, the JU director touches upon the organisational aspects of the transition. ‘Hydrogen is hot. Every DG wants to do something on hydrogen, with the support of their Commissioners. You will see a lot of initiatives starting, and that is where I also see a risk.’ He explains that today about 95% of all the European projects on hydrogen are managed - or guided - through the JU. ‘This means most knowledge is centralised. If suddenly everybody starts to work on hydrogen it will be chaos.’

This does not mean he is pleading that everything is done by the JU. ‘No, I am pleading for a one-stop-shop. Everybody wanting to do something on hydrogen should contact us and we can say – this project is not for us but you need to go to the Connecting Europe Facility – CEF. Or to the LIFE programme, the EU’s funding instrument for environment and climate action.’ Another ambition Bart Biebuyck has is for his JU to become a knowledge hub on hydrogen in Europe. ‘Whoever, in the Member States, at EU level, in the ECA, wants to know something about the state of the art in hydrogen, knows that they can come to the JU to have the latest state of affairs on hydrogen.’ He hopes that the ECA will support the JU in this ambition to be the one-stop-shop and the EU’s knowledge hub on hydrogen. ‘I think this would create clarity for many players, and also for the general public, who want assurance that every euro spent on hydrogen is spent efficiently, avoiding parallel initiatives and overlapping projects.’

He also expects new technologies to appear, something very much supported by the JU. For example, new production technologies. ‘We support innovation projects looking into different ways to produce hydrogen. For example, making hydrogen directly from sunlight. But this is still just out of the laboratory. For sure we will see new technologies coming into production, storage, other ways of transportation.’ And indeed, on the JU’s website you can find a long list of projects, which cover different areas. ‘The key point now is to start already with the technology we have, to create a market, the economy and the jobs, the growth we want.’
One of the JU’s objectives is to further reduce the costs. ‘Because today, hydrogen technology is still a bit more expensive than conventional technology. We need to work on that. One way, of course, is by scaling-up. No doubt. But another way is also by looking into new materials, new means of production.’ He refers again to electrolyser. ‘At the same time we should not forget to develop our second and third generation hydrogen solutions. Because - what we need to avoid - very important - is that other parts of the world take over our lead. They might think: “Let’s give the first generation to Europe, we will go immediately to the second generation and then we will take over where Europe left off.” That we need to avoid by scaling-up and at the same time developing further innovation, because the strength of Europe is innovation by working together. We should keep that, it gives us the leading edge.’

Source: Petrmalinak/Shutterstock

Interview with Bart Biebuyck, Executive Director of the Fuel Cells and Hydrogen Joint Undertaking of the European Union

“… the strength of Europe is innovation by working together.”
The Regulatory Scrutiny Board and climate change - experiences to date and a look to the future
By Veronica Gaffey, Regulatory Scrutiny Board of the European Commission

Since many years, as part of its Better Regulation approach, the Commission has put in place a comprehensive system to assess the impact of its legislative proposals and major policy initiatives. Carrying out an independent review of these impact assessments is the role of the Regulatory Scrutiny Board of the European Commission, providing advice to the Commission’s College. Veronica Gaffey, who chairs the Regulatory Scrutiny Board since March 2019, has a long experience in policy evaluation. Below she explains the role of the Board, some of the criteria it uses in its assessments and zooms in on the Board opinions covering several aspects of Commission’s activities on climate change and environmental issues in a broad sense. She expects that the Board’s scrutiny work in this area will only increase in the future.

Impact assessment – a tool with a long tradition at the European Commission

The European Commission has strengthened its requirements for impact assessments over the years. In 2002, it introduced a requirement for impact assessments for new policy proposals and regulations. Such impact assessments had to define the need for EU action and analyse a variety of options for action. In 2006, it established an Impact Assessment Board, made up of senior managers from across Commission directorates-general (DGs).

In 2015, the European Commission published a renewed Better Regulation Agenda. This was in the context of the stated aim of the Juncker Commission to focus on priorities and legislate only when necessary. The Agenda strengthened the earlier initiatives such as the requirements for impact assessments of new policies, reviews of existing legislation and evaluations. It introduced systematic stakeholder consultation. It also announced the establishment of the independent Regulatory Scrutiny Board to replace the previous Impact Assessment Board.

The commitment to better regulation continues. Upon taking office, President von der Leyen emphasised in her letters to incoming Commissioners that all proposals of the new Commission ‘must be evidence based, widely consulted upon, subject to an impact assessment and reviewed by the independent Regulatory Scrutiny Board.’ One of the major priorities of the von der Leyen Commission is to tackle climate change.

Role of the Regulatory Scrutiny Board

The Regulatory Scrutiny Board is an independent body of the Commission that offers advice to the College of Commissioners. We provide a central quality control and support function for impact assessments and evaluations. We examine and issue opinions and recommendations on all the Commission’s draft impact assessments and major evaluations of existing legislation. The Board has a chairperson and six members, three of them recruited from outside the EU institutions. They are all appointed for fixed terms, work full time and are free of policy responsibilities within the Commission.

The Board has a very specific role as one part of the European Better Regulation Agenda and we intervene at a particular point in time during the policy making process:
The Regulatory Scrutiny Board and climate change - experiences to date and a look to the future

- the European Commission sets priorities;
- Directorates-General (DGs) evaluate existing legislation, consult stakeholders and draft impact assessments. The impact assessment assembles evidence, identifies options and analyses their potential strengths and weaknesses before selecting the best option available;
- the Regulatory Scrutiny Board scrutinises all impact assessments and major evaluations. Impact assessments must receive a positive opinion from the Board in order to proceed. If the Board issues a negative opinion, the services need to do more work and resubmit an improved report for another round of Board scrutiny. In the case of a second negative opinion, the Commission can nevertheless decide to proceed, but must explain publicly why. The Commission publishes all Board opinions together with the impact assessments and evaluations; and
- the Board does not scrutinise the proposed legislative acts. The co-legislators – European Parliament and Council – use the impact assessments as a basis when deciding on the legislation, followed by implementation by the Member States.

The Board does not decide on initiatives or on policy objectives. That is the role of the European Commission. The Board’s role is to contribute to improve the evidence base and quality of the Commission’s impact assessments and evaluations. We do this in our opinions, which explain the weaknesses of the reports and suggest ways to improve them.

**Quality of impact assessments**

The Regulatory Scrutiny Board’s annual reports record improvements in the quality of impact assessments. From 2016 to date, we issued some 190 opinions on impact assessments, with 37% initially negative. DGs have gained experience in carrying out the assessments. If they have prepared them before, they are familiar with the better regulation requirements and know what the Board looks for: the clarity of the logic of intervention, appropriate use of evidence, proper use of consultation results, etc. Upstream meetings with DGs on planned impact assessments also support the work.

Impact assessments should be fit for purpose, communicating the best available evidence and making it clear where evidence ends and political judgement begins. A fit for purpose impact assessment is a package that includes sound methodology, data collection, consultation strategy, evaluation of past actions, definition of policy options, and proportionate analysis of impacts. There are genuine methodological challenges in quantifying expected impacts and assessing policy for the whole of the EU. The better regulation guidelines require an examination of costs and benefits. They look not only at economic impacts but also at social and environmental ones. Impacts on SMEs or fundamental rights also feature. Often, the services cannot quantify impacts at the time of the analysis, often due to a lack of data, but qualitative analysis, which sets out likely channels of impact and their scale, can support the decision making process.

There is no set formula to guarantee a positive opinion. What the Board considers good depends on context and takes into account what is possible and proportionate in each case. In any impact assessment, the services must consider the evidence and explore the options. In the end, however, the services make a judgement call in selecting the recommended option. It is the role of the Board, as an independent and neutral party, to take time to examine and ultimately validate the basis for such judgement calls before proposals go to the College of Commissioners for decision.

**Environmental issues in impact assessments and Board Opinions**

The Commission’s guidance ([Better Regulation Guidelines and Toolbox, 2017](#)) states that DGs must assess all proposals for economic, social and environmental impacts. The environmental impacts to assess include climate, efficient use of resources, quality
of natural resources, biodiversity, waste reduction and management, minimising environmental risks and protecting animal welfare.

Table 1 shows the number of impact assessments scrutinised by the Board between 2017 (when it revamped its system to gather statistics) and 2019. Of the 130 impact assessments, 46% explored environmental impacts. In 15% of cases, the Board mentioned the need to improve environmental aspects in its opinion. What follows is an analysis of those twenty cases.

Table 1- Environmental impacts in impact assessments, 2017-2019

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<th>Total (% total)</th>
<th>Negative opinions (% class IAs)</th>
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<tbody>
<tr>
<td>Impact assessments</td>
<td>130 (100%)</td>
<td>45 (35%)</td>
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<tr>
<td>Impact assessments with environmental</td>
<td>60 (46%)</td>
<td>21 (35%)</td>
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<tr>
<td>impact</td>
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<tr>
<td>Impact assessments with environmental</td>
<td>20 (15%)</td>
<td>6 (30%)</td>
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<td>impact mentioned for improvement in opinion</td>
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Figure 1 shows that the twenty cases involved a variety of DGs. Most cases were presented by the Energy and Transport DGs.

Figure 1 - Impact assessments with environmental impact mentioned for improvement in opinion

The cases covered climate change, natural resources, energy production and use, waste management and marine litter, transport, emissions, pollution, circular economy. Figure 2 provides an overview of broad themes in the cases, colour-coded by outcome of the opinion. In several cases, themes overlap, e.g., in the relationship between climate and market, economy and sustainability, or energy and climate.
As Board we regularly underline how existing regulations and directives at EU level must be examined as to how they are functioning, consistent with an ‘evaluate first’ principle. This facilitates identification of what is working well and less well under existing legislative structures, where there are problematic aspects or loopholes across Member States. It helps to identify issues that would need to be addressed in a possible revision of the legislation. In our opinions, we regularly calls for a more precise depiction of what success would look like to inform future monitoring and reporting systems. Methodological issues in defining what is ‘green’ and ‘sustainable’ at EU level also emerge.

**Waste reduction**

The Board has scrutinised various initiatives to reduce waste. In our remarks, we stressed two elements: first, the need to clarify the scope of the initiatives analysed and their added value as compared to existing norms. Second, there is a need to identify the scale of environmental benefits and to compare the costs of the various policy options, including compliance and investment costs. For instance, in our opinion on reducing marine litter (plastic and fishing gear) we highlighted the need to better analyse possible shortcomings of existing environmental, fisheries and maritime legislation as well as the cross-border implications.

**Climate change**

The Board has scrutinised ten impact assessments related to climate change. We have asked for clearer depictions of the final objective in the initiatives and of the expected contribution from an initiative towards each goal. It has also encouraged analysis of coherence with other instruments contributing to the same objective, such as employing fuel taxes, vehicle registration taxes, or CO₂ emission standards in the case of reducing CO₂ emissions. Conforming to EU targets for 2030, we have also encouraged a more detailed account of ways to disincentivise road-only transport (especially road freight transport) in favour of alternative rail or maritime means. Similarly, the Board has recommended more complete explanations concerning the role of stimulating the market for clean vehicles, the reasons for observed inertia of some industries (e.g. the trucking industry) in developing fuel saving technologies, and how market uncertainties may lead to underinvestment in new low-emission technologies.

Climate issues clearly reveal a cross-border nature. The need for a clear and effective regional approach at EU-level is necessary in impact assessments, as well as reflecting on implementation and future monitoring of policy options in practice in Member States.

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**Figure 2: Environmental Issues mentioned in Opinions**

[Graph showing environmental issues mentioned in opinions]

Source: European Commission
Energy saving and efficient use of resources

In impact assessments covering ‘EU Energy Policy Goals’ and the ‘Eco-design Directive’ on the requirements for energy related products, the Board has asked DGs to strengthen the assessment of the impacts in terms of energy savings. We have called for the monetisation of impacts as much as possible, including of CO$_2$ emissions. We have underlined the need to systematically address costs (notably compliance costs) as well as measures for improving material resource efficiency.

Related to energy and resource efficiency, we have emphasised that while environmental and climate change issues are fundamental, the dimension of sustainability is also key. This is at times overlooked in initiatives.

Circular Economy and Sustainability

The relationship between green issues, economy, and finance has also featured in the Board’s opinions. The environmental, social and governance factors have become more relevant. Initiatives are encouraged to explain broad notions of ‘do no harm’ and sustainability, and how they can be made fully operational in practice.

Opinions regularly mention the relationship between new initiatives and the circular economy – i.e. an economic system based on eliminating waste and continual use of resources. We have asked DGs to build more robust arguments regarding circular economy objectives and to justify why certain circular economy options are put forward and not others.

Last, in light of the ‘EU 2030 Energy and Climate Targets’ and the ‘Energy Union Framework Strategy,’ the Board highlighted the relationship between environmental issues and single market objectives. Notably, we emphasised the importance of finding a balance between energy efficiency, circular economy and consumer preferences – including nudging consumers towards energy-saving choices.

General Environmental Impacts

In opinions on free trade agreements, the Board emphasised how the level of ambition in terms of environmental standards needed to be strengthened. We highlighted the need to tackle certain issues dealing with trade and sustainable development more specifically. The Board underlined the importance of positive impacts on environmental, labour and social conditions and promoting EU standards.

Climate Change in future impact assessments

With the ‘Green Deal’ one of the major priorities of the von der Leyen Commission, the environmental and climate impacts of all proposals will receive greater attention and, therefore, will receive scrutiny from the Board. Given the priority of climate change, more proposals, which aim to have ‘green’ impacts will be proposed.

An issue of concern to the Board is how and if the cumulative ‘green’ impacts of future proposals will be assessed. If each proposal looks at its impacts only, there is a risk of missing the overall effects and perhaps how some proposals may work against each other.

The Commission announced in its ‘Green Deal’ (December 2019) that it will improve the way its better regulation guidelines and supporting tools address sustainability and innovation issues. The purpose is to ensure that all EU initiatives without direct ‘green’ objectives respect a green oath to ‘do no harm.’ There is a need to clarify how to integrate this green oath in impact assessments, and to what extent trade-offs between green and non-green impacts remain possible.

The Regulatory Scrutiny Board intends to include a session on assessing green impacts at its next Annual Conference. We will also discuss with our national counterparts how they approach this issue.
Better use should be made of EU funds for a green recovery: views from an NGO network

By Markus Trilling, Climate Action Network Europe

In the 2014-2020 EU budget framework, Regional Development Fund and Cohesion Fund expenditure – over 30% of total spending - offers ample possibilities for investments in climate change action, for instance action on a transition to clean energy. While we see, on the one hand, that many climate policy needs have been identified, one can also see a relatively low level of allocation in several Member States relating to these funds. Markus Trilling, Finance and Subsidies Policy Coordinator at Climate Action Network (CAN) Europe - an NGO coalition with over 170 member organisations in Europe - provides insights into the research results published in April 2020 by CAN Europe regarding EU Member States' utilisation of the potential of regional funds for energy transition purposes. He concludes that the way to a climate neutral and just recovery requires all Member States to increase their clean energy spending and put climate neutrality at the heart of the EU funds' spending plans.

Combining Covid-19 economic recovery packages with the EU's long-term targets

The Covid-19 crisis is not only strongly impacting people's lives, it is also leading to an unprecedented economic shock which might impact the EU for years ahead. ‘Economic recovery’-packages will tap into the public purse to stimulate investments. These investment need to achieve the EU’s 2030 climate and energy targets, estimated by the European Commission at an additional €260 billion, and also finance the long-term transition to climate neutrality as set down in the European Green Deal. Greater investments in clean energy infrastructure are needed not only to ensure a sustainable and green economic recovery, but also to shape the EU’s long-term pathway to achieving the Paris Agreement’s objective of limiting the global temperature increase to 1.5°C.

The European Commission has recognised this need and intends to use at least 25% of the next EU budget (2021-2027) to support this transition, building further on the requirement for Member States to spend 20% of the current EU budget (2014-2020) on climate action. However, a recent report, Funding Climate And Energy Transition in the EU: The Untapped Potential of Regional Funds, published by Climate Action Network (CAN) Europe, shows that in the current EU budget period Member States are using only an average of 9.7% of EU regional development funds to finance clean energy infrastructure, leaving the transformational potential of the EU budget largely untapped.

With case studies from Estonia, Croatia, Czechia, France, Poland, Portugal, Slovenia and Spain, the report underlines the gaps and
opportunities at national level, and calls upon all Member States to make clean energy investments a priority for the next EU budget 2021-2027 to ensure a just and climate neutral recovery and to comply with their international commitments under the Paris Agreement.

**EU funds’ climate action potential largely untapped**

The EU’s Cohesion Policy funding, made up of the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF), is the main source of funding for public infrastructure investments in many European regions. Member States can choose from a large menu of eligible measures when they decide on projects and investments that will be financed by the EU funds. These measures can vary according to the development priorities and financing needs of Member States. Small and Medium Sized Enterprises (SMEs), Research and Innovation, Information and Communication Technology (ICT); investments in transport, environmental protection, energy infrastructure and social inclusion and quality employment are only some of the categories that can be financed with the Cohesion Policy funds.

The EU’s Cohesion Policy, which is enshrined in the EU treaties, aims to promote economic, social and territorial cohesion within the EU. Its contribution and role in catalysing the just transition of our economies towards climate neutrality, while creating jobs and promoting sustainable development, is of crucial importance, in particular in the ‘less developed regions’ in Central, Eastern and Southern Europe, where public infrastructure investments depend substantially on EU funds.

The 2015 Paris Agreement, the proposed European Green Deal and the EU leaders’ agreement on achieving climate neutrality, all point to the need for a rapid transformation of our society. The ERDF and CF could be impactful tools to deliver on these commitments by financing measures that contribute to more ambitious action at national level, in particular in the short term, while catalysing the transition towards climate neutral, 100% renewable and fully energy-efficient economies which do without fossil fuels.

However, the current potential of EU funds to boost the clean energy transition remains largely untapped. Only an average of 9.7% of the ERDF and CF during the 2014-2020 period is allocated to energy efficiency, renewable energy and SMART grids, electricity transmission, storage and related infrastructure, and to research and innovation for climate action. In some Member States, EU funds are still used to finance fossil gas.
Better use should be made of EU funds for a green recovery: views from an NGO network

Figure 1 - Cohesion Policy funding 2014 -2020 - ERDF and CF EU 27; Total and planned amounts per Member State (totals and amount allocated to energy transition as a share of the total)

Source: CAN Europe

Bulgaria, Italy, Portugal, Croatia, Greece, Slovakia, Poland, Romania, Cyprus and Malta spend less than 10% of current EU funds to finance clean energy infrastructure. Poland, the biggest recipient of EU funds in nominal terms, has spent only 7.7% of its EU regional funding on clean energy infrastructure, making the country, together with Portugal (7.7%) the EU's fourth-worst spender after Slovakia (6.6%), Bulgaria (6.7%) and Croatia (7%).

The Member States who spend least on clean energy investments are also the ones that are the main beneficiaries of EU funds. The reluctance of several Southern and Eastern European countries to fully use the potential of EU funding for their energy transition stands in stark contrast to these countries' claims that the high costs of the transition prevents them from committing to higher EU climate targets. A low level of allocation to clean energy makes the claims for more financial support less valid.

Bulgaria, Greece, Lithuania, Latvia, Poland and Romania have allocated €940 million from the EU budget to support fossil gas infrastructure. However, fossil fuel subsidies hinder the transition to climate neutrality. They undermine short and long-term climate action as they distort markets and dis-incentivise investments in renewable energy and energy efficiency. Another problem related to the use of regional funds is the relatively high share for biomass within the overall renewable energy investment areas, where sustainability considerations are not guaranteed, and other options such as wind or solar seemed to be neglected.

In some countries the administrative complexity, the lack of long-term planning and delays in the implementation of EU funds hinders the smooth rollout of clean energy projects. For instance, in Croatia calls for applications for promoting energy efficiency, renewable energy, climate change adaptation and climate risk management were delayed up to 3 years. The consequence of the delay is an extremely low absorption of funding, which made unfavourable reallocations necessary, undermining climate action objectives.
Better use should be made of EU funds for a green recovery: views from an NGO network

EU funds’ priorities must shift to implement the European Green Deal and support green recovery

While struggling to address the acute economic fallout of the Covid-19 pandemic, Member States are advised to accelerate their longer-term investment planning, while integrating the need to transition towards climate neutrality. The upcoming ‘EU funds programming,’ i.e. the drafting of spending plans for national and regional EU funds for the period 2021-2027, is an opportunity not to be missed in this regard.

Given the urgency of avoiding the climate change crisis, future recovery measures, and in particular the next EU budget, will need to support more ambitious climate action. To do so, the EU needs to strengthen rather than weaken its regulatory framework. This will include, as provided for in the European Green Deal, a rapid increase in the 2030 climate target, up to 65% if the EU is serious about contributing to achieving the 1.5°C objective, and clear long-term planning to achieve climate neutrality well before mid-century. Meeting the Paris Agreement’s objective requires the deep decarbonisation of all sectors of the economy and will require a substantial amount of private and public funding.

Member States, national and regional authorities, while currently taking urgent short-term measures to prevent the complete collapse of the economy, will soon pick up their planning – programming - of spending priorities for EU funds for the 2021-2027 EU budget cycle. This process started already last year. However, now they will look at EU funds in the context of economic recovery imperatives.

In order to ensure those long-term investments contribute to the just transition and help create economic resilience, the current funding pattern has to change. In order to tap fully into the transformational potential of EU funds and to deliver on climate action and economic recovery, it is important to orient regional funds to the full decarbonisation of housing, transport, energy, public infrastructure, Small and Medium Enterprises (SMEs), catalysing the just transition away from fossil fuels.

The EU’s Cohesion Policy funding makes up around one third of the entire EU budget. With other ‘system relevant’ sectors such as agriculture, depending on the EU’s purse, the entire EU budget thus should become a ‘Just Transition Fund for climate, environment and economic recovery.’ The Commission and Member States must focus on the transition towards climate neutrality in all relevant sectors by earmarking 40% of the EU budget for a green and just transition and excluding all fossil fuel subsidies. All expenditure from the EU budget has to be in line with the objectives of the Paris Agreement. For this to happen it is important to align EU funding plans, such as operational programmes or Common Agricultural Policy strategic plans, with long-term climate objectives and ensure that climate neutrality objectives are at the heart of all regional and sectoral spending plans.

The Commission’s proposal on the Just Transition Fund embraces the concept of climate neutrality by requiring the elaboration of ‘Territorial Just Transition Plans’ which should describe in detail the steps needed to guide the transition to low-carbon economies and to achieve climate neutrality. This approach should be applied to all relevant regional and sectoral operational programmes. As a consequence, EU funds should visibly increase the ambition of the National Energy and Climate Plans (NECPs), enabling the financing of measures needed to implement higher climate and energy targets in line with climate neutrality trajectories.

EU funds could facilitate long-term capital and infrastructure investments, boosting the transition towards climate neutrality in all sectors of the economy while reviving the economy from the current shock. However, this economic recovery can be green, only if Member States put the transition to climate neutrality in the focus, rather than do business as usual and aggravate the climate crisis. At the end of the day, the EU’s action and investments in the next 10 years will decide whether it can successfully tackle both the climate and economic crises.
‘Where is the beef’ – livestock as a litmus test for climate change action?

By Tassos Haniotis, Directorate-General for Agriculture and Rural Development, European Commission

When it comes to climate change action and the EU, one of the items that quickly enters the picture is the EU’s agricultural policy, traditionally one of the cornerstones of EU policy action…and expenditure. The claim goes that an alleged 70% of CAP support goes to livestock, measured interchangeably through subsidies or area. Using agricultural data, Tassos Haniotis, Director in the European Commission’s DG Agriculture argues against turning livestock, and especially the cow (beef or dairy, regardless), into the litmus test for any discussion of climate change action. Below he explains why.

A third of EU farmland is permanent pasture that needs more support and protection

Without doubt, livestock is one of the priority areas where action on production methods is required to significantly reduce emissions. However, beef does not deserve to be made a prime target by an unidimensional approach that oversimplifies climate-linked policy questions. But since the claim is out there, let’s put the figures into perspective and context, starting with a table summarising facts on EU farmland (and the share of organic area in it).

Table 1- EU farmland (2018, in million hectares)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL AREA</th>
<th>Cereals</th>
<th>Oilseeds</th>
<th>Protein crops</th>
<th>Perm. crops</th>
<th>Perm. grassland</th>
<th>Green fodder</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total area</td>
<td>176.100</td>
<td>56.400</td>
<td>11.400</td>
<td>1.900</td>
<td>11.800</td>
<td>60.300</td>
<td>20.400</td>
<td>13.900</td>
</tr>
<tr>
<td>of which organic</td>
<td>13.438</td>
<td>1.972</td>
<td>0.394</td>
<td>0.226</td>
<td>0.106</td>
<td>5.901</td>
<td>2.189</td>
<td>1.298</td>
</tr>
<tr>
<td>Share in total</td>
<td>100%</td>
<td>32.0%</td>
<td>7.6%</td>
<td>1.1%</td>
<td>6.7%</td>
<td>34.2%</td>
<td>11.6%</td>
<td>7.9%</td>
</tr>
<tr>
<td>organic share</td>
<td>8.3%</td>
<td>6.4%</td>
<td>4.8%</td>
<td>30.3%</td>
<td>0.9%</td>
<td>11.3%</td>
<td>15.8%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Based on the above, roughly one third of EU farmland is permanent pasture; pastures to be exact, diverse in their characteristics, spread over 60 out of 176 million hectares of the EU’s Utilised Agricultural Area, in the statistical jargon. As has been demonstrated, at
global level, 85% of what animals eat cannot be eaten by humans, with a significant part coming from land on which, due to agronomic conditions, most of the time the only thing that can grow is grass. As this land cannot be converted to arable land, according to a 2018 report by the UN Food and Agriculture Organisation, in many diverse systems around the world ruminants are the best and only way to turn this grass into human-edible protein.

In the EU, three successive impact assessments of the Common Agricultural Policy – CAP (2008, 2011, and 2018) have demonstrated the positive environmental services provided by these pastures: they lock up carbon in the soil, provide biodiversity-rich habitats, help the nutrient cycle work more effectively, and shape our landscapes in ways that we value. Many of them are located in areas where there is no alternative to extensive livestock farming.

This is why this part of the EU is so crucial, not just in preserving, but in enhancing the role of extensive livestock systems, and if anything, they require more support through better targeting and distribution (something proposed repeatedly since 2008, but as redistribution of support is at the discretion of Member States, very poorly implemented). A rough estimate of how much current support is going to this sector of EU agriculture is possible, and comes to approximately 35%, coupled or decoupled (support is fully decoupled if it does not influence farmers’ production decisions, thus permitting them to respond freely to market price signals), and linked to the requirement to preserve and maintain permanent pastures.

For half of EU farmland, support goes to farmers who choose what to produce and sell

Let’s move now to the remaining land and, after subtracting permanent crops and area classified as ‘other’, we are left with half of the EU’s farmland, on which cereals, oilseeds, protein crops and green fodder are produced. It is from this part that a share goes to the production of feed, and since the CAP is mainly based on area payments, it is then criticised for supporting, en bloc, industrial farming. Since the exact definition of what constitutes ‘industrial farming’ in EU agriculture is open to different interpretations, especially when an EU ‘large’ farm starts at levels that correspond to medium to small in the new world, let us rather focus on a term more pertinent to EU agriculture, ‘intensive farming’.

First, attribution of area shares by sector means little with respect to its environmental footprint. It is actual production methods that matter, and the policy impact on the soil, water, air and biodiversity, whether it stems from CAP support measures that directly impact what happens in livestock, crops or trees, or is the result of EU legislation (for animal health and welfare, or for the environment). What the combined effect of the above policy measures has done in the EU, compared to what happened in other major players and the world, is reflected in Figure 1.

Figure 1 - Change in GHG emissions from livestock, by source (1990-2017)

Therefore, focusing on an approximation of support dedicated to feed by looking at the area share of products used for food and feed on the basis of consumption patterns misses - or simply chooses to ignore - the importance of potential environmental leakage. If such feed were not produced in the EU, the thus reduced environmental pressure may increase pressures elsewhere.

Second, as long as meat and dairy products constitute part of the human diet, not just for culture-related but also for health-related reasons, feed will be needed, and this can only be produced on land. In the EU, 90% of CAP area-based direct support is decoupled. What is produced annually, where and for what it is sold (food, feed or fuel), is driven by the choice of individual farmers based on the most profitable market opportunity they find, whether in the EU or on the world market. It is based on these conditions, and, as a result of previous reforms, the EU has reduced its previous reliance on imported feed (such as soybeans, soymeal and corn gluten feed), which in the past represented around two-thirds of compound feed, while now it represents about one third.

In other words, 40% of EU arable area today produces feed for domestic use, not because support explicitly goes to it, but because market orientation has led to an increase in EU food security. If the EU area considered to be cultivated for animals was used for human consumption, and thus feed for animals would have to be imported, the environmental leakage would be greater in sectors where EU production is more efficient (yields of EU grains for feed, for example, are three-fold higher than alternative protein yields). How this matters is evident from Figure 2.

**Figure 2 - Change in GHG emissions from crops, by source (1990-2017)**

Third, one of the most important misunderstandings in this debate is linked to the fact that cattle are considered to absorb the bulk of compound feed (which is associated with intensive livestock farming). Yet cattle (and the marginal share of milk replacers) accounts for 30% of compound feed, while pork and poultry for 31% and 34% respectively (feed for other animals accounts for the remaining 5%). Thus **70% of industrial feed goes to sectors with no direct support**, which also represent a very marginal part of agricultural area (including cattle intensive feedlots, which are not supported by the CAP).

Once more, the manner in which these sectors contribute to reducing their environmental footprint should be the real focus of attention. As long as policy measures addressing the reduction of this footprint are respected, and in the current context strengthened, it is not the share of feed in this sector that is a problem. The potential problem lies in the absence of improvements in animal feed diets, the lack of treatment of waste, the lack of focus on investments that exploit the technical advances of the bio-economy, etc. Once more, results matter, and these are far from one-sided; they are mixed, covering the whole spectrum of horror stories (which make the headlines) to real successes (that unfortunately are very often side-lined …).
Not just what, but how matters, and trade-offs need to been seen at global level

The backdrop to the use of an aggregated high number for the role of support or land area allocated to livestock is related to arguments about the potential gains to be made with a more balanced diet, lower food waste, more organic, and more local consumption. There is no reason to believe that present production and consumption patterns would stay unchanged. In fact, not only are there strong and valid arguments for such change, but things are already changing – the drop in beef consumption by 30% in the EU since 1990, and parallel developments in the rest of the developed world, indicates this, and these changes are bound to affect feed.

Although this dynamic is clear, its extent, both at EU and global level, is anything but clear, as gaps still exist in underlying numbers, from the actual level and distribution of food waste, global and local trade-offs from leakage (including from lower organic yields, or from the need to have more animals for manure to replace synthetic fertiliser). And at any rate, the cumulative EU progress presented above does not change by a single iota the fact that progress in terms of emissions has stagnated in recent years, after the 2013 CAP reform, and more action is required. To place this need in context, we need to clearly recognise the factors that led to clear progress, and the ones explaining stagnation.

The former include the significant impact of the drop in high price support in the 1990s, and the slower, more gradual but steady role of decoupling in changing production methods, from the combined impact of cross-compliance and the flexibility of farm adaptations to shifting market conditions with a part of farmers’ income being fixed. These results are evident in a series of facts - from income and environmental indicators, to trade or social indicators.

However, the facts also reveal those factors that explain stagnation, such as the doubling of coupled support (from 5% to 10%), the hesitant redistribution of support in a manner that avoided any reference to targeted criteria, the exceptions introduced (by Member States and the European Parliament) in the agreed legislation on the implementation of environmental legislation (the Nitrogen Directive). Stagnation in the one-size-fits-all logic of ‘greening’ (often reproduced in the current debate by expanding it to include various policy ideas of an economic and environmental nature), and, maybe more importantly, in the lagging capacity of the sector to invest in new technologies.

Whichever path EU agriculture takes in the future, it can only gain from an understanding of its-often conflicting-developments. It is neither self - flagellation nor self - congratulation that will take it forward, but a reality check based on facts.
Are banks doing enough on sustainable finance commitments? Probably not…

By Giulia Christianson and Ariel Pinchot, World Resources Institute

A commitment to sustainability is easily made, how can they be measured and compared? These questions apply both to public sector and private sector promises for sustainable investments. Since the power of the purse is an important tool, World Resources Institute (WRI) looked at the sustainability component of the world’s larger private banks and developed a tool to explore and compare their commitments to sustainable finance. Giulia Christianson, Senior Associate in WRI’s Finance Center and leading its Sustainable Investing Initiative, and Ariel Pinchot, Associate with WRI’s Sustainable Finance Center, explain key conclusions from the development of the new WRI Green Targets Tool.

Enabling a fair comparison of private sector banks’ sustainable finance commitments

By July 2019, 23 of the world’s 50 largest private sector banks had made a sustainable finance commitment.

Private sector banks can play a pivotal role in financing the transition to a low-carbon, sustainable future — and they face growing political, market and social pressure to do so. Indeed, at the UN Climate Summit in New York City in September 2019, we saw banks making new commitments to disclose the carbon emissions of their investment and loan portfolios, adhere to the new Principles for Responsible Banking, and more.

Another way banks have been signaling their response to growing pressure from shareholders, businesses and governments is through sustainable finance commitments: public, time-bound commitments to provide or facilitate capital for climate and sustainability solutions. So what are these commitments? And are they rigorous enough to meet the scale of the challenge?

World Resources Institute’s (WRI) new Green Targets Tool offers the first-ever platform to explore and compare the details of private sector banks’ sustainable finance commitments. The tool presents data for each commitment, according to nine indicators focused on specificity, accountability and magnitude. Four big takeaways emerge.
Box 1 - World Resources Institute (WRI)

WRI is a global research non-profit organisation that was established in 1982 and spans more than 60 countries, with international offices in Brazil, China, India, Indonesia, Mexico and the United States, regional offices in Ethiopia (for Africa) and the Netherlands (for Europe), and program offices in the Democratic Republic of Congo, Turkey and the United Kingdom. With more than 1,000 experts and staff, WRI aims to turn big ideas into action at the nexus of environment, economic opportunity and human well-being. WRI’s activities are focused on seven areas: food, forests, water energy, cities, climate and ocean. WRI envisions an equitable and prosperous planet driven by wise management of natural resources, sustaining the natural environment for all people.

WRI’s considers as its hallmark its threefold approach:

• count it, starting with data, conducting independent, unbiased research to analyse relationships and design solutions, and communicate these findings in a compelling manner;
• change it, working with leaders of cities, companies and countries to achieve change, testing ideas in complex, messy, real-world situations; setting clear objectives; and
• scale it, identifying and overcoming barriers by coalition building to change so that proven solutions spread quickly and widely.

Only half of major banks have made a sustainable finance commitment

The Green Targets Tool analyses the world’s 50 largest private-sector banks. As of July 2019, only 23 of them had a sustainable finance target. Since July 1, 2019, only two major banks, Banco Santander and the Canadian Imperial Bank of Commerce, have announced a sustainable finance commitment, bringing the total number of large banks with commitments to 25 (see Table 1). These banks’ commitments are not reflected in the Green Targets Tool, as they announced them after we produced the tool.

Table 1- Banks and sustainable finance (status October 2019)

<table>
<thead>
<tr>
<th>HAS A COMMITMENT</th>
<th>DOES NOT HAVE A COMMITMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia &amp; New Zealand Banking Group</td>
<td>Bank of Nova Scotia</td>
</tr>
<tr>
<td>Banco Bilbao Vizcaya Argentaria</td>
<td>Calidair</td>
</tr>
<tr>
<td>Banco Santander</td>
<td>Commerzbank</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Credit Mutuel Group</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>Credit Suisse Group</td>
</tr>
<tr>
<td>Barclays</td>
<td>Danske Bank</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Deutsche Bank</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>DB Bank</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Group BYCE</td>
</tr>
<tr>
<td>Commonwealth Bank of Australia</td>
<td>Itau Unibanco Holding</td>
</tr>
<tr>
<td>Crédit Agricole Group</td>
<td>Kid Financial Group</td>
</tr>
<tr>
<td>Goldman Sachs Group</td>
<td>Mizuho Financial Group</td>
</tr>
<tr>
<td>HSBC</td>
<td>Nomura Holdings</td>
</tr>
<tr>
<td>ING Groep</td>
<td>Nordea Bank</td>
</tr>
<tr>
<td>JPMorgan Chase &amp; Co.</td>
<td>Norinchukin Bank</td>
</tr>
<tr>
<td>Lloyds Banking Group</td>
<td>PNC Financial Services Bank</td>
</tr>
<tr>
<td>Mitsubishi UFJ Financial Group</td>
<td>Rabobank</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Resona Holdings Inc.</td>
</tr>
<tr>
<td>National Australia Bank</td>
<td>Shinhan Financial Group</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>Sumitomo Mitsui Financial Group</td>
</tr>
<tr>
<td>Société Générale</td>
<td>Sumitomo Mitsui Trust Holdings Inc.</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>US Bancorp</td>
</tr>
<tr>
<td>Toronto-Dominion Bank</td>
<td>UBS Group</td>
</tr>
<tr>
<td>Wells Fargo &amp; Co.</td>
<td>UALCred</td>
</tr>
</tbody>
</table>

Source: WRI
These public commitments play a valuable role in signaling — both externally and internally — that banks intend to support sustainability in a measurable way. Public commitments can embolden banks’ business clients to approach them for financing for low-carbon projects. They can incentivize bank staff to source new opportunities that support sustainability. And they can reassure customers who want to know that their bank is financing solutions to sustainability challenges.

A commitment alone is not proof of an institution’s dedication to sustainability. To begin with, there are questions of additionality. Does the target represent a new allocation of capital that would not already have been provided without a sustainable finance commitment? Does the target stretch the bank beyond its own market projections?

At the same time, an absence of commitment does not necessarily mean that banks are doing little or nothing on sustainable financing. As we discuss below, a commitment is but one of many ways a bank can advance sustainability.

**Sustainable finance commitments’ terms and definitions vary considerably across banks**

While it is tempting to evaluate and compare sustainable finance commitments based on the amount of financing pledged, there is huge variation in how banks define and describe their targets. One of the most important distinctions across banks is the criteria they use for their commitments. Some targets have a broad scope and count financing for a long list of activities or sectors, such as aligning the target with the Sustainable Development Goals (SDGs). Other commitments have a very narrow focus, where finance goes only to, say, renewable energy development.

Another key difference is in the type of financial services deployed as part of the commitment. Some banks only count lending or other direct financing activities. Others count a wide set of financial services, including investment banking and asset management. This is often a reflection of the bank’s own lines of business — not all banks offer the same types of products and services.

The commitment’s time horizon is another telling differentiator. The average horizon of a commitment is 8.5 years, but some are as short as five years, or as long as 14 years.

**Banks still investing considerably more in fossil fuels than targeting for sustainable finance.**

To fully appreciate the significance of the sustainable finance targets, they must be considered in the context of banks’ overall size and other relevant financing activities. Fossil fuel financing is an essential point of comparison for understanding whether a target signals a genuine commitment to sustainability.

Disappointingly, most banks’ annualized sustainable finance targets are considerably smaller than their annual fossil fuel finance. Among the banks with active commitments, the average annual level of fossil fuel finance from 2016-2018 is nearly twice the annualized amount of sustainable finance commitments. Only seven banks have annualized sustainable finance targets greater than the amount of finance they provide for fossil fuel-related transactions each year. This trend varies by region. On average, European and Australian banks have more ambitious sustainable finance commitments relative to their fossil fuel finance than U.S. banks.

That said, this comparison must be interpreted with caution. Banks generally do not provide granular data on annual fossil fuel financing. The most complete, consistent and publicly available estimate comes from a research consortium that produces an annual report card on banks’ fossil fuel finance. The scope and methodology used in the report are different from those used by each bank to quantify sustainable finance levels - which, as we already pointed out, have a wide range of definitions to begin with.
Are banks doing enough on sustainable finance commitments? Probably not…

Figure 2 - Commitments’ performance on indicators

This, combined with banks’ varying definitions of sustainable finance, makes it impossible to do an apples-to-apples comparison. The rough comparison nevertheless provides useful information and suggests that banks have a long way to go before they can say their financial operations are climate-friendly.

**Serious shortcoming: lack of a disclosed methodology to measure commitments**

Most commitments meet the basic criteria outlined in our qualitative indicators for specificity and accountability. The one area where the majority fall short is in disclosing their accounting methodology. Fewer than half of banks disclose an accounting methodology for tracking commitments.

In order to benchmark themselves against their peers, banks need to understand how their accounting practices differ in terms of what they are measuring. Stakeholders also need this transparency to understand banks’ commitments and hold them accountable. While over three-quarters of the banks actively report on (or plan to report on) progress toward their targets, if they are not also disclosing their accounting methodologies, it is impossible to fully interpret their reporting (see Figure 2).

**Finance commitments are not the only way to advance sustainability**

Sustainable finance commitments are not the only way banks can align their businesses with sustainability. Other ways include:

- 130 banks signed onto the new UN-backed *Principles for Responsible Banking*, which launched ahead of the 2019 Climate Action Summit. The principles outline a new framework for the banking industry to align business objectives with the SDGs and the Paris Agreement on climate change;
- five leading European banks committed to work towards aligning their lending portfolios with the goals of the international Paris Agreement on climate change;
- 16 banks are road-testing new methods for aligning investment and lending portfolios with climate stabilization pathways under the *Science Based Targets* initiative;
Are banks doing enough on sustainable finance commitments? Probably not…

- a number of banks are publishing their initial Task Force on Climate-related Financial Disclosure (TCFD) report, including a group of 16 banks that worked with UNEP FI to pilot the recommendations;
- more than 25 banks have committed to source 100% of their electricity from renewable resources as part of RE100; and
- more than 100 financial institutions have pledged to phase out or restrict coal financing.

Still, sustainable finance commitments are important and highly visible ways to communicate a commitment to sustainability. They are very public commitments to put large volumes of capital to work for a low-carbon, sustainable future.

**Strengthening future sustainable finance commitments**

In the little time we have left to prevent a climate catastrophe, this is a key moment for private-sector banks to show they are serious about sustainability. We need not just bigger or more bank commitments, but better commitments.

Banks need to put out more ambitious green targets, backed by more robust accounting methodologies. These targets need to be paired with significant reductions in fossil fuel finance. And banks that have yet to come forward with green targets need to step up with bold and well-designed first-time commitments.

We are beyond the point where banks can buy our favor with flashy euro signs. We need commitments that are clear, transparent, time-bound, and that embrace sustainability as core to business.
Climate litigation – addressing fundamental rights... for having a future

Interview with Laura Burgers, specialist on climate litigation

By Gaston Moonen

When does climate change action turn from a political ambition into a legal obligation? To what extent are governments held accountable by litigation for undertaking action to counter climate change? Worldwide many cases have been brought to court, by climate activists, by individuals, and even by (local) authorities to force governments, but also companies, to adhere to commitments made or comply with climate legislation in force. Among legal scholars in Europe, one of the most well-known climate cases is the Urgenda judgment in the Netherlands. Up to as many as three times in a row, the judicial authorities have directed the Dutch state to comply with the legal obligation to reduce at least 25% of its emissions compared to 1990 levels by the year 2020. Laura Burgers, currently with the Amsterdam Centre for Transformative Private Law of the University of Amsterdam, is a specialist in this case, having made it one of the central pieces of her PhD thesis on the legitimacy of judicial law-making in European private law cases on climate change. She argues that the issue goes a lot further than a debate on whether judges make climate change law.

Climate issues – politics into courts?

The issue of climate litigation has been receiving ever more attention, with cases being brought to court in the EU and beyond. According to different academic databases, for example those of the London School of Economics/Grantham and Columbia University, over a thousand cases have been launched on responsibility issues for the dangers of climate change. For Laura Burgers this was important but not the main reason why she got into this subject matter: ‘I was supposed to write a PhD about the role of the judiciary in European private law when I started in January 2016. Six months before, the first judgment in the Urgenda case¹ had been handed down, a case I found extremely interesting. It was immediately controversial: many people had articulated opinions on the court’s decision.’ She explains that more climate cases came up, so she decided to write her entire PhD on climate litigation. She refers to an article she wrote in January 2020, entitled Should Judges Make Climate Change Law?, which provides a good insight into the contents of her PhD thesis.

Laura Burgers identifies an important transnational element in the existence of all these cases. ‘Seeing an increasing number of climate cases is in itself fascinating. Actually, many people still think or deem climate change to be something for politics rather than the judiciary. But interestingly enough that standpoint is being challenged with all these cases.’ In her analysis, she leans upon what scholars such as Jacqueline Peel and Hari M. Osofsky have identified as a ‘rights turn’ in climate change litigation. ‘Meaning that the cases that had most success displayed reasoning based on fundamental rights.’ It turns out that those relating the cases to fundamental rights, to constitutional foundations, have a higher success rate than those who do not. ‘Take the Urgenda case: the rights applied directly to this case were the rights to life and private life in the European Convention for Human Rights.’

One of the risks often associated with litigation relating to climate change is that judges are being accused of putting themselves more in the political seat instead of taking the judicial seat. Laura Burgers finds it understandable that such discussion arises. ‘Of course it is controversial, because climate change is a topic that transcends the national boundaries of our constitutional democracies. In this respect, it is interesting that many defendants in climate cases point out that not they are responsible but it is rather a global responsibility.’ She adds that for instance in the Urgenda case, the Dutch state claimed that the Dutch emissions as such were quite a minor part of global emissions. ‘And also - without exception - all the corporations sued say that this is a matter for society, that corporations alone should not be blamed. And they are right - climate change is a global issue that can only be addressed effectively if everyone is on board. At the same time, it means that we all should actually be on board! It is also understandable that environmentalists think that they should go to court to enforce the obligations that certain actors have taken upon themselves.’

This free riding aspect, whereby everybody is responsible and therefore nobody is responsible, or people can easily duck such responsibility, has a historical dimension. Laura Burgers: ‘Much international environmental law is not per se legally binding and often it is intentionally made ‘non-justiciable’ - meaning that it was never meant to be invoked before a court by individuals. That also explains the unease that many people feel when all of a sudden all of this climate change law is enforced in the courts.’ This is exactly where she thinks fundamental rights are so important. ‘Because it is not controversial that governments should respect fundamental rights. But these rights are, in a way, very abstract: the right to life, the rights related to health.’ She explains that these general notions clearly need interpretation by a judge.

Here, an analogy with criminal law comes to mind: the law merely states that murder is forbidden, without clarifying means of killing. ‘Judges always have the responsibility to interpret the law so that it makes sense in concrete cases, and so that laws that were enacted maybe decades ago still hold their relevance today. I imagine that when the criminal provision about murder was introduced, the legislator did not think of machine-guns at that time because they simply were not invented at that time.’ For her it makes perfect sense that judges render these provisions up to date and include them in their interpretations. ‘There is one instance where fundamental rights are particularly relevant. That is where the interpretation at hand goes against the majority decisions, which are usually made or represented by the legislative branch of government. Only reliance on fundamental rights can legitimise the overturning of a decision against a democratic majority.’

She adds that fundamental rights, irrespective whether they relate to a minority in the population or a majority, need to be respected. ‘This is because fundamental rights shape the conditions for democracy as such.’
Political theory underpinning fundamental rights

Laura Burgers links her position to constitutionalism and democracy. 'In legal theory there is always a bit of tension between what prevails - democracy on the one hand, or the veto rights of the minorities. This is always presented as a tension. Habermas - in his work *Faktizität und Geltung* [Between Facts and Norms] comes up with a very elegant solution for this tension. He argues that these fundamental rights and democracy or - if you like - popular sovereignty and human rights are, as he calls it, 'co-original.' They cannot exist without each other, they are necessary conditions for each other. He says that democracy can only exist when our fundamental rights are protected.' She points out that Habermas's argument is that if your fundamental rights are at stake, you are also prevented from participating in these society-wide deliberations on what the law should look like. 'You can no-longer actively be there as a citizen. And the other way around: it is only through your public or political autonomy, only through your capacity to join in the deliberations, that you can gain assurance about your private life, your private autonomy - that they are protected. She makes clear that you need these fundamental rights in order to be able to exercise your democratic rights. ‘And vice versa: only through democracy can we ensure that our fundamental rights are sufficiently protected. The whole idea of democracy is that that those who are bound by the law are also the authors of the law. This we can only maintain if we have both - these fundamental rights and democracy, both public and private autonomy. And that is exactly the element that legitimises judicial interference when a fundamental right is at stake. Not because the judge thinks that this is a problem, but because the democratic project as such is built on fundamental rights.’

For Laura Burgers it is clear that what happens nowadays – climate protest against some kind of political decision-making, also through litigation - is a global movement, a transition in which increasing constitutional value is attached to the environment. ‘We see the right to environment emerging globally. This means that we see the environment as a foundation of society, as a part, a necessary condition, of constitutional democracy, as a condition to be able to exercise the other rights you have. Even to have a democracy at all. And this makes sense. Imagine that you are an elderly person and you die because of a heat wave. Then there is not much left of your democratic rights. This is a bit of an extreme example, maybe, but even if your health is already impaired, this is also the case.' Other conditions can relate to air pollution, and even to the current Covid-19 crisis situation. ‘We are in a state of emergency now and we will definitely be in many more states of emergency if climate change reaches its full effect. We really do not want to imagine half of the Netherlands overflowing with seawater.' She believes the Netherlands may be able to cope through technical solutions. ‘But this might be different for people in poorer nations, such as Bangladesh.’

The Urgenda case – fundamental rights to the forefront

For her the Urgenda case is a clear illustration of her viewpoint, if not the claim that only fundamental rights can legitimise counter-majority interpretations by a judge. The claim in this case was brought by an NGO called Urgenda – standing for ‘Urgent Agenda,’ with the underlying thought that climate change is of utmost urgency.' She explains that this NGO Urgenda challenged the Dutch government decision to lower its CO2 reduction goal. While, initially, the Dutch government had aimed to reduce at least 30% of the Dutch emissions by the year 2020, it then lowered that goal to less than 20%. Then, in 2013, the Urgenda foundation launched a case against the Dutch state.

‘What is interesting is that the legal basis, at the first instance when the court actually ruled in favour of Urgenda, was tort law - there was an open norm of national tort law saying that one should not act in a hazardously negligent manner and this was interpreted with regard to climate law and international human rights law.' She adds that international climate law and international human rights law were elements that...
the court used to make sense of the tort law provision at issue, that one should not act in a hazardously negligent manner. ‘That, of course, is not a fundamental right and it ordered the government to do something which was not based on fundamental rights.’ She recalls it was an enormous controversy. ‘But then, during the appeal in 2018, the Court of Appeal said that it would uphold the order. But this time based directly on Articles 2 and 8 of the European Convention of Human Rights. And those are, of course, fundamental rights.’

She notes that it was then immediately obvious that there was much less opposition and much less controversy around the case than after the first verdict. She also specifies that the case was actually dealt with by Dutch courts at least three times. ‘It also went to the Supreme Court in the Netherlands. You can actually argue even four times in a row as even the Advocate General found that it made perfect sense to uphold this order. So we had four judicial authorities – if you also consider the Advocate General to be one - in the Netherlands who had said “It is a legal obligation on the Dutch state to reduce at least 25% of its emissions compared to 1990 levels by the year 2020.” So that is by this year!’

The transnational element of this case is also rather interesting. ‘Most relevant is the fact that an international convention was upheld in this national case, because this is likely to have a persuasive effect on interpretation of these rights in other jurisdictions as well. What I could also see very much in my own research, where I looked into many of the European climate change cases, is that they all invoke Urgenda.’

Surprisingly, both defendants and claimants invoke the Urgenda case. Laura Burgers: ‘It is always used as an argument by the claimants saying that in the Netherlands this has successfully led the courts to confirm the climate obligations of the Netherlands. But, for instance, a company that was sued in Germany said that Urgenda proved that the case was against the state and it should not be a case against the company.’ She gives another example regarding Norway, where there was a climate case launched against the government and the argument was that this Urgenda case concerned general policy. ‘While, in the case of Norway, we are talking about a specific decision. So it is interesting that everybody is referring to this case, but from different perspectives.’

When discussing possible consequences, also in the sense of liabilities towards other parties, Laura Burgers makes it clear that the reactions of the Dutch government to the verdicts have not been too inspiring on that aspect. ‘To begin with, it is highly regrettable that the Dutch government did not act more swiftly upon the judgment that was already delivered in 2015. Since then it has only challenged the Urgenda verdicts and has not really acted upon achieving this 25% reduction. While it publicly said it will do so, it did not in practice. So time has been lost, regrettable for the climate, only increasing the climate problems in the Netherlands and elsewhere. Secondly, because of the rule of law; the government should act in line with judicial decisions.’ Here she believes it was and is not unrealistic to achieve this. ‘As NGO Urgenda has presented a plan with some 40 suggestions on how the Netherlands could possibly reduce more of its emissions. She adds that, overall, most other EU Member States have reduced far more than the Netherlands. ‘The Netherlands has this self-image of being very green and being a front-runner in the energy transition. But if you look at the figures it is actually not true; we are really among the worst in Europe.’

**Climate litigation at EU level and beyond**

While the Urgenda case has been invoked by several parties elsewhere, the question arises whether a comparable case can happen at EU level. Laura Burgers makes it clear this is already the case. ‘A case has been launched before the Court of Justice of the European Union [CJEU] called the People’s Climate Case. Perhaps a slightly populist name, but this was launched by a group of families, both from inside and outside the EU. The first sentence of their claim is: “This claim is brought by children and their parents.”’ She adds that the emphasis on children is not coincidental. ‘Because... children will suffer the most from climate change, simply because they will live longer and the effects of climate change will be felt more in the future than now.'
children will suffer the most from climate change, simply because they will live longer and the effects of climate change will be felt more in the future than now. It turns out that this claim was rejected by the CJEU’s General Court and that the claimants will appeal to the next level, being the Court of Justice.¹

The Dutch climate litigation expert explains that the plaintiffs launched their claim on the basis of Article 263 of the Treaty on the Functioning of the EU (TFEU). ‘This provision contains admissibility requirements laying down that they should be directly and individually concerned. According to the General Court these requirements were not fulfilled because everybody is affected by climate change.’ She observes that if the Court of Justice, during the appeal, agrees with that, it would mean that climate litigation at the CJEU is not possible. ‘The Court has been criticised for this position because it leads to a paradox – the more people that are involved with a certain damaging event, the less judicial means you have, at least at EU level. And I doubt that everybody is affected the same way by climate change.’ This paradox was also pointed out by the claimants in this case.

Laura Burgers notes that these admissibility requirements were introduced in the 1960s. ‘When we were not really concerned about climate change yet. In addition, she believes that in this particular case the Charter of Fundamental Rights of the EU was invoked in a rather interesting manner. ‘Two aspects were particularly interesting. Article 21 of the Charter was invoked - the right to equality. The claimants say that this right to equality means that also people from outside the EU should be able to bring a claim to the CJEU. Secondly, that the fundamental rights that are under pressure due to climate change have to be protected for people now and in the future. So they say that this right to equality applies regardless of place and time.’

Also in the People’s Climate Case, reference was made, by the CJEU, to the Urgenda case. ‘One of the reasons the General Court gave for not accepting this case was that the right to effective remedy was not violated, since the Urgenda case showed that people who disagree with the climate policy of their government should go to national courts rather than the CJEU.’ According to Laura Burgers this relates to the fact that climate and environment are areas where the EU and its Member States share competences – the EU setting certain minimum levels, which does not mean that Member States cannot do more or have more ambitious climate policies. ‘And some of them have such possibilities.’

The question remains of what legal remedies there are if the Member State level does not deliver. Does this mean that an EU citizen or organisation has no resort to a higher court, at EU level? Are any infringement cases possible as provided for under the TFEU, which would result, for example, in the imposition of financial penalties? Laura Burgers: ‘Under Article 263 of the TFEU individuals can bring a claim against an institution of the EU, whereas Article 260 is rather about the European Commission bringing claims against the Member States. What is important is which law you are looking at. And one of the issues here is precisely that the EU does not have ambitious climate goals. The ambitions in the relevant directives are not that high.’ She refers again to the Urgenda case. ‘One of the arguments of the Dutch state was: we comply with EU law, namely the minimum reduction of 20% by 2020. But if you look at climate change science data you will see that it is actually not enough to prevent the Earth from warming up by more than two degrees Celsius.’

While existing EU climate law is not so ambitious, this might change in view of the work currently being done on the European Green Deal. ‘Perhaps in the future there will be infringement procedures. But one of the climate change issues is problematic - it is the

¹ Another recent verdict from the CJEU relating to climate is the Deutsche Umwelthilfe judgement of 19 December 2019, which concerned a rather extreme measure of judicial enforcement of EU environmental law. In that case, the Land of Bavaria refused to comply with an injunction issued by a German court to introduce a ban on diesel cars in certain locations. As the imposition of periodic penalty payments did not lead to a solution (sums were paid but in reality did not entail a decrease in the Land’s own resources), the national court asked the CJEU whether it had to order the detention of regional officials to enforce the injunction. The CJEU responded that, if a judgement cannot be enforced, the essential content of the right to an effective remedy is violated, in particular if public health is at stake. The CJEU held that detention of officials may be required if all other remedies fail. But it emphasized that the fundamental right to liberty must not be infringed either if national law does not provide for a sufficiently clear basis for detention or if detention is not proportional.
Notion of tipping points: once the CO2 has been emitted into the air, at a certain point there is just so much that warming processes can no longer be stopped. ‘As an example, she refers to the permafrost that may have melted, triggering even more global warming.’ So penalties are perhaps not what we need. At a certain point we cannot repair the damage to the atmosphere. ‘She concludes that for now the focus should be on mitigation. ‘But where mitigation is no longer possible, of course we must focus on climate adaptation.’

Outside the EU there has also been a proliferation of climate litigation. ‘There is an interesting case in Pakistan, of a farmer, Mr Leghari, charging his government with failure to carry out the National Climate Change Policy of 2012.’ It turns out that in 2015 the appellate court in Lahore, citing domestic and international legal principles, determined that “the delay and lethargy of the State in implementing the Framework offend the fundamental rights of the citizens.”

Another prominent example is a recent case launched before the commission that is overseeing the UN Convention of the Rights of the Child. ‘This claim was launched by the famous Greta Thunberg and some other youngsters. They argue that their rights to life and their rights to health and culture are violated by five signatory states to the Convention of the Rights of the Child. There is another case - Our Children’s Trust - a national case directed against the U.S. government [Juliana v. United States], also on the basis of that Convention, asserting the violation of youth’s rights to a safe climate.’

**Climate litigation urging: stop talking and start acting**

Quite often, where courts have expressed themselves in favour of claims for climate action and protection, accusations of ‘judicial activism’ or ‘judges delivering a political verdict’ have surfaced. Laura Burgers underlines that in her article she wanted to contrast the role of law and politics. ‘At a certain point somebody asked me: “What is the added value of law against politics?” I think that politics, in its essence – and here I am very much inspired by Habermas – is the discussion on how we want to regulate society. As long as we are still in a discussion on what we want to do as a society then we are in the political domain. But as soon as we have made a decision – saying this is now the rule that we will now obey, then we enter the legal domain. So once we have made the law, through politics, then we can start to enforce it. Start acting!’

She adds that for a long time climate change was seen as something for politics. ‘But the law is dynamic: we can change the law at any time by adopting new laws. But it can also change through interpretation, especially open norms.’ She continues that politics is – ideally speaking - not only taking place in institutions that form the centre of government, but in the whole of society. ‘Politics is something that takes place in the whole of society or at least everyone in society should be able to participate in the relevant debates. What we see is that we are increasingly considering climate change to belong to the legal rather than the political domain. Climate litigation cases are signalling just that. Apparently the claimants feel so sure about this that they dare to bring a case to court. One only brings a case to court if one thinks that there is a chance of winning. Thus, the environmentalist claimants are articulating the opinion that climate change is no longer something for politics, it is for the legal domain: and we can stop talking and start acting.’

With a laugh Laura Burgers explains that this is not only her imagination but is supported by others, a transitional thought shared by many legal experts and ventilated in 2015 in the Oslo Principles, articulating the obligations of states to act against climate change under existing law. This group of scholars looked at existing laws – at all levels, international, national and regional – and they deduced from that that nation states already have hard legal obligations to act upon climate change. Later on they continued this work and formulated principles relating to climate obligations for corporations and even investors.

When it comes to climate change action and its urgency, legal scholars, colleagues of Laura Burgers, have even used the phrase ‘If a bus speeds on to plunge into a ravine, then a sharp turn of the wheel is imperative.’ While she agrees with the urgency, she also puts the capability of litigation to achieve it into perspective. ‘Litigation is slow. If a government does not act well upon its obligations for a long time, and all of a sudden you have a judge
saying “Now you really have to act,” that may also create political tensions. She thinks that a government stalling about undertaking climate action can also lead to polarisation in society. ‘That is another reason why it is such a pity that, for example, the Dutch government has not already done more on reducing CO2. Because we will have to do this at some point, and the longer we wait, the more painful it will become. The longer we wait, the more we have to reduce, making it harder for ourselves and contributing to polarised views, particularly from those who have to decrease emissions substantially.’

Laura Burgers concludes that the results of the Urgenda case are in that sense disappointing because the government is slow in implementing the judgment. ‘On the other hand, it has generated a lot of publicity and attention in the media, which must have had some effect on the whole political debate on climate change policy in the Netherlands. And we do now have, in the Netherlands and in Belgium, a Climate Law.’ She sees another, secondary effect of litigation. ‘It not only addresses legal institutions; it is seen in other parts of society and thereby also has a wider political effect; if you like, contributing to a more society-wide debate on what the law is or how the law should look.’

Although adopted later than it could have been, Laura Burgers finds it positive that the Netherlands has adopted national climate legislation with goals for 2030. ‘Actually, many countries have national climate legislation. It is a wide-spread phenomenon in Europe.’ Although this is comforting as such, it also raises the question as to what extent climate litigation can produce effects in non-democratic societies, since some of those societies belong to the more polluting nations in the world. While she looked particularly at Europe in her research and did not concentrate on less democratic societies, she finds there are still signs of at least some impact of climate litigation in societies where the judiciary might not be considered independent. ‘What is striking in non-democratic systems is that they still adhere to fundamental rights, or at least aspire in their communications to appear democratic and represent the people. But if the judiciary is controlled by government, climate litigation might not be that influential.’ She recalls, however, a case in China: ‘There we also see climate change litigation, but against companies. It concerns more the issue of companies not delivering the performance indicated, for example, for their solar panel system, or commitments for energy grid composition, connecting several sustainable energy sources to a city, etc. Then there is litigation against them by state-funded NGO-type organisations.’

Climate litigation as a means to enforce accountability... for a green planet

While Laura Burgers has immersed herself in the topic of climate litigation, it is also clear for her that it is not the solution to the climate challenges the EU and the world face. ‘Climate litigation is not a goal but a means to achieve our common goal to save the planet. It is important to realise this, because judges cannot move too much on controversial grounds. As soon as things get very controversial, it is arguably still part of the political debate, rather than law. Judges can only enforce the bare minimum of what is necessary.’

In addition, she thinks that climate litigation can contribute to raising more awareness. ‘And to holding governments accountable, to make them do what they promise. But litigation is not the solution, for that we need hands-on politics and creative thinking. And a lot of stimulus to innovation, where the EU has a huge role to play, as one of the richest regions in the world.’ She underlines how much effort is still needed by referring to some recent Covid-19-related data. ‘I just read that now, because of the Covid-19 crisis, we are emitting much less than we would have done otherwise. But even if we continue to reduce our emissions at the rate we have done now - due to the current crisis conditions - we will not reach the goal of the Paris Agreement, keeping global warming to 1.5 degrees.’

While climate litigation can be a way of holding governments accountable, she sees an important role for public auditors. ‘By asking actors what the risks are and how you would address them - that is already very helpful. But she believes that, apart from liability and pointing out existing obligations, public audit has another rather essential task. ‘I think it is crucial to look at effectiveness, what governments propose as measures. One of the arguments that keeps coming back in climate litigation cases is that it is economically unwise not to do something against climate change right now. It is because the effects will be so much greater later on that climate mitigation now is a lot cheaper than climate adaptation later.’
Auditing is crucial for sustainable digitalisation

By Mats Engström, Senior Advisor, Swedish Institute for European Policy

Besides its focus on climate action policy the Von der Leyen Commission has selected Europe fit for the digital age as one of its top three priorities, the third one being An economy that works for people. But how compatible are these top priorities? How environmentally friendly is digitalisation, considering, for example, rapidly growing data centres that consume a lot of energy, and hardware for smartphones depleting scarce resources, often in a non-circular manner? Mats Engström is Senior Advisor at the Swedish Institute for European Policy Studies (SIEPS) and has written extensively on environmental and technological issues. Before that he was, inter alia, Deputy State Secretary in the Swedish government. In this article he looks at the possible symbiosis between going green and digitalisation, and how auditors can stimulate such developments.

Digitalisation – promise or threat?

Digitalisation holds both promise and threat for sustainable development. Smart transport and intelligent energy systems can reduce energy consumption and carbon dioxide emissions. Collection of information on the environment and new methods for data analytics contribute to better knowledge and facilitate decision-making. Artificial intelligence might help us understand complex systems and find solutions to issues such as loss of biodiversity and climate change.

However, energy consumption from data centres and other electronic equipment is rapidly increasing, adding to a negative environmental footprint. The processing and storage of gigantic amounts of data require massive inputs of electricity. Manufacturing of computers, screens and smartphones adds to energy demand.

In their study published in 2018, researchers Lotfi Belkhir and Ahmed Elmeligi recently found that 20 years from now, greenhouse gas emissions from the use of ICT could correspond to more than 14% of today’s total emissions, compared to 1 to 1,6% in 2007 of that year’s level. Dangerous waste, unsustainable mining of rare earth metals and high water consumption by data centres are other environmental problems linked to digitalisation.
Growing awareness - but much remains to be done

Fortunately, a number of initiatives have been taken by industry to remedy negative aspects. Data centres now more often operate with electricity from renewable sources and new methods can limit their power consumption. But, with the need to quickly reduce emissions of greenhouse gases, more needs to be done. Greening digitalisation needs to feature more prominently in industry and in policy, including in the European Union.

The financial sector is one example of business becoming more aware of the environmental aspects of digitalisation. Banks and other financial institutions are rapidly becoming more digital. Some banks acknowledge that this can lead to larger energy consumption and negative environmental impact. This will be even more true with extensive use of artificial intelligence and blockchains. But others do not as yet include the environmental impacts of digitalisation in their sustainability reports.

Reducing emissions of greenhouse gases is one important aspect, contributing to a more circular economy is another. Much still remains to be done on recycling of electronic equipment, even if companies and governments have taken action, including legislation in the European Union. For example, recycling of critical metals such as neodymium and indium is still expensive and appropriate technology needs to be developed. Mining of such minerals is energy intensive and environmentally damaging. It is difficult for individual companies to solve these issues, implying a need for government-funded R&D, regulation, public procurement to create lead markets, economic incentives and to some extent new regulation, including extended producer responsibility (EPR).

Much attention has been focused on physical products, but to create a more circular economy there is also a need to reconsider business models. Do we really need a new mobile phone every year? In many countries, telecom companies offer contracts that include offers of renewal every year or so. Responsible companies need to reconsider such business models. Policy makers have been rather fixed on the products as such and have not thought enough about business models around products and measures to influence them, for example through taxation.

Policy is being developed, but is it enough?

After years of emphasising mostly the environmental benefits of digitalisation, negative effects are now taken more seriously by policy-makers in the European Union and its member states. Germany plays a key role in this development. The German Ministry for the Environment has already put forward a good analysis and relevant proposals in its policy paper Get the Environment into those Algorithms! for example on eco-labelling of cloud providers and on the development of environmentally sound algorithms. The environmental impact of digitalisation will be on the agenda for the German Presidency of the Council of the EU this autumn, and if the European Commission comes forward with good proposals in time, this is a window of opportunity for the EU to become a global leader.

Other member states also have the issue on the agenda. In France, a task force led by mathematician Cédric Villani presented a number of useful recommendations in the report For a meaningful artificial intelligence. For example: supporting alternatives to today’s energy intense graphics processing units (GPU’s) and developing a platform for assessing the environmental impact of advanced digital systems.

The European Commission is also taking important initiatives on greening digitalisation. At the DG Communications Networks, Content and Technology (DG CNECT), Director-General Roberto Viola has highlighted issues such as blockchain energy consumption and the need for action. Environmental aspects are included in policy initiatives for a digital Europe, but still much remains to be done.

The EU can be a global leader

The large internal market creates unique opportunities to promote European values and interest globally. The European Union can set global standards, as has become clear in areas such as personal data protection (GDPR) or dangerous substances (Reach). This is also true for the environmental impacts of digitalisation, including artificial intelligence.
The European Green Deal is an opportunity in this regard. It could also include ambitious policy measures on sustainable digitalisation. There has been a positive statement to this effect by the Commission's Executive Vice-President Marianne Vestager. From an EU policy perspective, greening digitalisation seems to be at a ‘tipping point,’ where important decisions will be made during the coming years.

However, so far there has been less visible action from DG Grow, the DG for Internal Market, Industry, Entrepreneurship and SMEs. They are also responsible for industrial policy, including artificial intelligence - AI. Still, the rapid development of AI is a key issue for sustainability. AI, and especially machine learning, creates both opportunities and threats from an environmental point of view. Algorithms can be green or brown in their way of finding solutions, depending on what data sets they are trained on and how possible bias is handled. Machine learning also often requires huge amounts of calculations, especially when computer systems are trained and trained again to learn how to handle similar problems, with unnecessary energy use because of silo thinking and competition between companies.

Strategies on AI are now rapidly being adopted by a number of governments. The European Commission is putting forward a White Paper on the subject. In an earlier Commission document on artificial intelligence there were some positive statements, for example on algorithmic awareness building and on reducing energy consumption for data processing. But it is crucial that other environmental concerns, including the ones I referred to earlier, are included and that sustainability issues are more urgently addressed.

Another important issue on the European agenda is the review of the non-financial reporting directive. Since the environmental footprint of digitalisation is becoming more significant in a number of business sectors, it would seem natural to include requirements in the directive to include these aspects in disclosing the effects of companies’ activities. This also holds for the EU Action Plan on Sustainable Finance, since digitalisation, including machine learning, is a fundamental driver of change in the financial sector.

It will be very interesting to see to what extent the European Commission will be able to merge policy initiatives that are relevant to this area, such as the Green Deal, climate policy, circular economy, Digital Europe, and the new industrial strategy. And clarify what the related disclosure arrangements will be. The Commission should seize the opportunity to build in the latter in each of these policy initiatives. Experiences from the current Covid19-crisis will be useful, for example innovative digital solutions to reduce the environmental impact of fossil-based mobility such as air transport.

**Key roles for accounting and auditing**

A key element in promoting sustainable business is how to measure the environmental footprint in a standardised way. Here accountancy and auditing have crucial roles to play. Accountancy is already developing such tools. During the Climate Week in New York in September 2019, international accountancy organisations, were discussing how to implement climate disclosure systems in practice, and developing practical guides. This includes guidelines regarding the work of the [Task Force on Climate-Related Financial Disclosures (TCFD)](https://www.tcfcdisclosures.org).
When it comes to digitalisation, measuring energy consumption and carbon footprint is key. This is not as simple as it might seem. Yes, finding out what’s on your electricity bill does not take much advanced calculation, but there is no consensus on how emissions from the related electricity production should be accounted for. Finding out the environmental impact of different machine learning methods and blockchains is no less difficult.

Still, such issues are important for sustainable digitalisation. There are already policy proposals that will require more standardised measurement and accounting. For example, how do you eco-label software, as the German Ministry for the Environment wants to do? How do you prove that AI applications are environmentally sound? Related questions also appear within existing instruments, such as the EU directive on non-financial reporting (NFR) and the TCFD framework. With carbon dioxide emissions related to digitalisation rapidly increasing, both tech and more traditional companies will be required to report them correctly.

In general, sustainability reporting is likely to become more quantitative. Without quality assurance of non-financial disclosure, there is a risk of backlash where methods will be questioned and some companies might be accused of ‘greenwashing.’ Accountancy and auditing will be decisive to achieve the declared aims.

**Important role for public auditors**

In addition to private initiatives, public auditing has a key role to play. The European Court of Auditors has highlighted sustainability reporting, for example, as well as broader sustainability issues. The ECA has also provided important input for the review of the non-financial reporting directive (NFR).

Many lessons from the broader sustainability agenda are relevant to digitalisation and the environment. For example, there is a need to audit how EU institutions are applying sustainability principles in their strategies and in their own activities. In connection with the NFR-directive and the upcoming climate law, important issues will also arise regarding measurement standards and reporting where public auditors have broad experience, not least because of their work in performance auditing.

More generally, integration of environmental concerns in all sectors is a key principle in the European Union Treaties, as is reflected in Articles 11 and 191 to 193 of the Treaty on the Functioning of the European Union. Obviously, this also includes policies on digitalisation and AI, and public auditors have an important role in checking to what extent this is the case.
The EU Emission Trading System – carbon pricing as an important tool to achieve the objectives of the Green Deal

By Sabine Frank, Executive Director, Carbon Market Watch

In a world that is increasingly feeling the consequences of climate change, the idea of polluters paying for their pollution makes more and more sense. The EU’s Emission Trading System (ETS) reflects exactly that thought and is the world’s largest carbon pricing system. The ECA has already looked into the EU ETS in the past (special report 6/2015) and will publish another report on EU ETS later this year, focusing in particular on how free allowances are provided for and allocated. These are also some of the aspects discussed below by Sabine Frank, who, since early 2019, has been the Executive Director of Carbon Market Watch, an NGO working on climate-related issues and carbon pricing. While critical on implementation aspects she also sees many opportunities for the ETS to contribute to achieving the EU’s Green Deal.

World’s largest carbon pricing mechanism under review

The EU Emissions Trading System (ETS) started operating in 2005 and is the world’s largest carbon pricing policy. It covers about 45% of the EU’s greenhouse gas pollution coming from approximately 12,000 installations, across power generation, industry and aviation. It works through a ‘cap-and-trade’ approach by putting a limit on overall emissions from the installations covered. Within this limit, companies can buy and sell emission allowances as needed.

Its functioning and impact have been the focus of ardent discussions ever since its inception. However, like all public policies, it could benefit from an in-depth audit in the run-up to its expected review in 2021. A review of the EU ETS should answer the following key questions, among others:

Box 1 - Carbon Market Watch

Carbon Market Watch is a not-for-profit organisation working to ensure that carbon pricing and other climate policies contribute to a just transition towards zero-carbon societies.

In particular, Carbon Market Watch advocates for:

- a carbon price that reflects the true cost of pollution to society and the use of revenues for climate action;
- more ambitious and rapid climate action in the aviation and shipping sectors;
- robust rules for UN carbon markets; and
- high environmental integrity of climate mitigation actions.

Carbon Market Watch was launched in 2009 as the initiative “CDM Watch”. Based in Brussels, Carbon Market Watch employs a staff of ten and is funded by several organisations, including the EU’s LIFE programme.
The EU Emission Trading System – carbon pricing as an important tool to achieve the objectives of the Green Deal

- Is the EU ETS compatible with the EU's international climate commitments, and especially the 1.5°C target enshrined in Article 2 of the Paris Agreement?
- Is it setting a price on pollution, and upholding the 'polluter pays principle' as laid down in Article 191 of the Treaty on the Functioning of the EU?
- Has the EU ETS decreased emissions of greenhouse gasses (GHG) in the EU in the past, and can we expect it to do so in the coming decades?
- How have the revenues raised by the EU ETS been used?

Is the EU ETS in line with the Paris Agreement?

The Paris Agreement – to which the EU and its Member States are signatories -includes a clear target to hold ‘the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C.’ Developed countries and regions are to do their fair share by decarbonising earlier than developing countries. For the EU that would mean reaching net-zero emissions (i.e. a balance between what is emitted and what is absorbed in carbon sinks) by 2040.

The EU ETS sectors, therefore, have a clear deadline, and should ideally decarbonise around that time – however, the total annual emissions permissible under the ETS (the cap) is not decreasing fast enough annually. Without changes, the emissions covered by the EU ETS would reach zero by 2058 – nearly 20 years late. The EU ETS, as currently set up, can therefore not be considered in line with the Paris Agreement or the EU's international commitments.

Note that the EU ETS review for the 2021-2030 period started before the EU ratified the Paris Agreement in October 2016 – and an opportunity to align the EU ETS with a 1.5°C target was missed. We cannot afford to pass over the next opportunity to bring a major climate policy instrument in line with our international commitments, which will be in 2021.

Is the EU ETS upholding the polluter pays principle?

For the EU ETS to uphold the polluter pays principle, it needs to result in an effective price on emissions. Auctioning is the default method of allocating emission allowances within the EU ETS. In that context, it's a market-based mechanism and leaves the setting of the EU emission allowance (EUA) price to market forces.

However, application of the polluter pays principle by auctioning emission allowances is severely undermined by a policy-induced market failure: over 43% of all available emission allowances are to be allocated for free, at least until 2030 under current EU ETS rules. This pollution subsidy blocks the internalisation of the cost of pollution externalities for industry and airlines – most of the power sector no longer receives free allocations.

Over the 2008-2030 period, the EU manufacturing industries, such as steel, chemicals and cement, will have received free allocations worth approximately €383 billion. During the next trading period (2021-2030) alone, 6.3 billion allowances will be handed out for free - valued at about €165 billion.

As a result of this free allocation, more than 90% of industrial carbon pollution does not carry any cost for the polluting companies. It is no surprise then that industrial emissions have been nearly stagnant since 2012 – dropping a paltry 1% between 2012 and 2018. Emissions from the aviation sector even increased at an average rate of 4.7% per year between 2013 and 2017. In contrast, emissions from the power sector – where no free allocation is given - dropped by 22% between 2012 and 2018.
Free allocation is granted to limit risks of so-called carbon leakage – industrial activity relocating to jurisdictions with no or less stringent climate measures. However, there is no hard evidence that carbon leakage has existed, or could become an issue in the near future.

Free allocation is a very costly mechanism to protect against a non-existent risk, and even worse, it has led to large windfall profits for companies. Many companies received more free pollution permits than their actual emissions - allowing them to sell their surplus permits and pocketing more than €25 billion over 2008-2015.

Because of the prevalence of free allocation, the EU ETS is undermining, instead of upholding, the polluter pays principle. Since allowances that have been allocated for free cannot be auctioned, they represent foregone revenues for EU member states. In this context, we can see a role for the European Court of Auditors to review the EU ETS and, in particular, the likelihood of carbon leakage happening and the prevalence of windfall profits to industrial sectors, and how this relates to the potential for generating auctioning revenues.

**Is the EU ETS reducing emissions?**

If the EU ETS is to reach its goal and help fulfil the EU’s climate targets, the sectors it covers must emit zero carbon pollution by around 2040. The good news is that carbon emissions from sectors covered by the EU ETS (excluding aviation) have decreased by 21% since 2008. However, the drop in total emissions hides the immense differences between industrial sectors and the power sector. The latter has seen rapidly falling emissions – a 12% drop in 2019 alone. However, this reduction should not be fully attributed to the EU ETS – other decarbonisation policies, such as coal phase-outs, renewable energy deployment or energy efficiency investments, have also played a major role. At the same time, industrial pollution from the production of steel, cement and chemicals has stagnated.
Every sector of the economy will need to make deep and sustained cuts in its emissions – and the EU ETS could contribute significantly if the polluter pays principle was extended to all the sectors it covers. In line with this, free allocation should therefore be abolished and replaced by auctioning of all emission allowances.

**What happens with EU ETS revenues?**

The EU ETS creates significant revenue streams through the auctioning of emission permits. The number of permits that are auctioned has increased steadily since 2012 – from 90 million in 2012 (worth €620 million) to over 920 million in 2018 (raising €14 billion).

These revenues have gone to Member State coffers – separate smaller streams go to EU-level funding instruments, such as the Innovation Fund. According to Article 10(3) of the EU ETS Directive, Member States are supposed to use at least 50% of these revenues for further climate action (such as deploying renewable energy, energy efficiency, innovation and research, avoiding deforestation and supporting reforestation) and report on this to the European Commission.

While over 2013-2015 Member States used over 85% of ETS revenues to finance climate action, this share had decreased to just 67% by 2018. In addition, we do not know whether these revenues have been used to fund additional climate action, or instead have freed up budgetary space, so funds earmarked for climate action could be shifted elsewhere. For example, some Member States currently hand out ETS revenues to electro-intensive industry through unnecessary and costly state aid schemes – potentially up to €462 million in 2018.

In addition, according to estimates by the World Wide Fund for Nature (WWF), a minimum of 5% of revenues is actually used to finance climate-harming activities. And this is probably an underestimate, as non-transparent and inconsistent reporting means these numbers cannot be independently verified and checked.

Over the 2021-2030 period, about 57% of total permits will be auctioned. The remaining 43% will be handed out for free. This represents a significant revenue loss for the Member States and climate finance – approximately €11 billion in 2018 alone. Over 2021-2030 another approximately €165 billion worth of allowances will be handed out for free.

For the EU ETS to have maximum climate impact, all auctioning revenues need to go in full to support climate action. This includes renewable energy and energy saving, clean industrial decarbonisation and support for a just transition, in Europe and in the Global South. Furthermore, there needs to be thorough and critical monitoring of Member State reporting.

Again, the European Court of Auditors could play an important role in reviewing how Member States use EU ETS revenues. Such an audit could trigger pressure and measures to increase the consistency of reporting between Member States, ensuring complete data is publicly available and that the methodologies used to determine which revenues are used for climate action are transparent.

**What should the future look like – a broad range of opportunities to be grasped**

The implications of the European Green Deal and the European Climate Law are clear: every sector will need to reduce greenhouse emissions more rapidly. Moreover, the EU ETS still needs to be brought in line with the Paris Agreement, and this will have significant implications for future EU ETS targets. Higher climate targets imply a need for a stronger carbon price signal under the ETS – which in turn can lead to higher revenues to be used for financing the transition.

For that to be feasible, the EU carbon market itself needs to become a more effective and fairer climate policy instrument – and there is plenty of scope for improvement. Two opportunities have already been mentioned: first, ending the handouts of free pollution permits; and second, using all revenues to finance climate action.
But there are other tools related to the EU ETS that could raise public resources to fund further climate action. These include recycling more revenues back to the EU ETS sectors to bring breakthrough industrial technologies to market – the ETS Innovation Fund is meant to do this, but will only have €9-16 billion. The Maritime Decarbonisation Fund - currently being discussed by the Environment Committee of the European Parliament - is another good example. It would recycle part of the price that shipping polluters pay to assist these same polluters to decarbonise further through investing in research, development and deployment.

The EU ETS has a mechanism to take permits out of the market when the oversupply is deemed too high. The ETS Market Stability Reserve should be reinforced to not only take historic oversupply out of the market faster but also to protect the EU ETS and its price signal against future sources of oversupply. For example, announced coal phase outs alone could reduce demand for EU emission allowances by 2,2 billion between 2021 and 2030 – this is significantly more than the total number of permits that will be issued in 2020 (approximately 1,7 billion). Moreover, the ETS will have to take account of the impacts of the Covid-19 crisis on emissions due to the lockdown in many countries and any potential subsequent economic downturn.

In addition, expanding the EU ETS to sectors currently not covered by carbon pricing would bring in more revenues. Potential sectors include shipping and waste incineration. Note that the EU ETS will not be able to drive decarbonisation of these sectors on its own – other sector-specific policies will remain necessary. A major reallocation of resources is urgently needed to address the climate crisis; the European Commission estimates the current funding gap between what is available and what will be necessary at between €175 billion and €290 billion annually.

The EU ETS can also play an important role in helping the EU citizens’ and communities’ transition to a zero-carbon society. Some regions might be hard hit by the rapid decarbonisation that is needed – not only coal mining regions, but also regions dependent on currently emission-intensive industrial sectors. EU ETS revenues could be used to fund just transition initiatives to ensure no-one is left behind by climate transition.

To conclude, for the EU ETS to become an effective and fair climate policy instrument, the EU carbon market should price all carbon pollution from the sectors it covers, with all revenues earmarked to fund climate solutions (both in the EU and in the global south) and just transition. We are not there yet, but the revision of the rules, planned for 2021, is an opportunity to improve the system so that it can contribute to the clean transition of our societies. In all these areas the European Court of Auditors could play a critical role in ensuring public accountability and transparency.
Pleading for disclosure - comparable data is key to achieving the EU’s climate target

By Mirjam Wolfrum, CDP Europe

Through its European Green Deal, the European Commission wants to take the lead and transition the EU into a climate-neutral continent by 2050. But will it be able to engage the private sector, companies and consumers alike, to make such a transition? CDP Europe is a non-profit than runs the global environmental reporting system used by both private and public actors. Based on the underlying idea that disclosure provides a competitive advantage to tackle risks and stay ahead of policy changes, CDP Europe promotes greater market transparency and helps companies, investors and public actors to gain relevant insights. Mirjam Wolfrum, CDP Europe’s Director, Policy Engagement, explains the magnitude of the investments needed for decarbonisation - and where and how public auditors can help to improve climate-related disclosure and the data related to it.

Decarbonisation requires a complete transformation

We are at the start of what must be a decade of unprecedented environmental action. To meet the emissions cuts required for the EU’s new 2050 climate neutrality target, the global economy would need to decarbonize by nearly 8% each year. This rate of decarbonisation is achievable, but it requires a complete transformation of our societal and economic model. Vast volumes of capital are needed to change industrial processes, energy markets and the financial system.

The urgent action needed to address the Covid-19 crisis has been the priority in 2020, but we cannot change our long-term course to address the very real risks posed by climate change. In the EU, we have the political will and a framework for climate spending through the European Green Deal, which aims to mobilize €1 trillion over this decade. Measures are already being implemented, with the

Box 1 - CDP Europe

CDP Europe is part of the global CDP system that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. In particular, CDP encourages organisations to disclose and manage their environmental impacts. Globally, over 8,400 companies with over 50% of global market capitalisation disclosed environmental data through CDP in 2019, including more than 2,100 European companies representing approximately 76% of European market capitalization. This is in addition to the over 950 cities, states and regions globally, including more than 215 in Europe.

CDP Worldwide (Europe) GmbH has been registered on the EU Transparency Register since 2012. CDP Europe staff members are based in Brussels, Stockholm, and Geneva and CDP Europe has been a recipient of EU LIFE funding since 2012. CDP, formerly Carbon Disclosure Project, is a founding member of the We Mean Business Coalition.
European Green Deal Investment Plan (EGDIP) detailing how this public and private investment will be leveraged. Further actions, including a renewed sustainable finance strategy, are planned.

The Green Deal will not succeed without the right information being available to public and market decision-makers, regulators and supervisors. Environmental data must be collected, rated, distributed and used as effectively as possible. EU funds need to serve the long-term public interest and money spent to cut emissions or adapt to climate change must represent value for money. The ECA can support this process by considering the best-available climate-related data in assurances concerning the European Commission’s budget, and by encouraging this data to be integrated across policy reviews and decision making.

This is particularly the case as the EU implements its policy response to the coronavirus crisis. Stimulus packages for companies should include certain green conditions, such as setting targets to cut emissions or earmarking capital for specific low carbon projects.

Companies’ activities and progress needs to be well tracked to assure taxpayers that public funds do not lock in an economic model incompatible with addressing current and future crises. Public money can be better targeted if companies and investments are transparent and shown to be in line with the EU’s long-term objectives.

**The state of the data in Europe**

Transparency is the basis for putting effective accountability for public and private spending in place. High quality environmental disclosure across the EU is therefore a necessary basis for understanding the state of market implementation of public policy objectives, and ultimately achieving the EU’s transition towards a climate neutral, resilient economy.

This logic has been at the heart of CDP’s mission over the past two decades to put data at the center of meaningful corporate, investor and policy action to address environmental challenges. CDP launched the first link between environmental and financial information in 2001. Then, 35 large institutional investors backed the request sent to stocklisted companies to report climate data. Now CDP’s request is supported by 515 investors with assets of €98 trillion as well as 125 major multinational corporates like Microsoft, Walmart and L’Oréal, which spend over €3 trillion annually through their suppliers and need to green their procurement.

By engaging more companies to disclose each year, CDP has made reporting on climate change, water security and deforestation a business norm. Over 8 400 companies now do so, making CDP’s the world’s largest, most comprehensive database of environmental data available (Figure 1). Companies worth 75% of Europe’s market capitalization, and the source of emissions equivalent to over 50% of those of the EU, now report.

**Figure 1- Global CDP disclosure figures**
Data reported voluntarily by companies in Europe include the most relevant and useful information for EU decision-makers and auditors that could inform all policymaking – and its supervision – in competition and economics portfolios. The questionnaires, which are aligned with the recommendations of the G20’s Task Force on Climate-related Financial Disclosures (TCFD), cover companies’ governance, risks and opportunities, emissions, targets, use of tools like carbon pricing or scenario planning, and their investments.

Data on how European companies - partly as a result of European Commission policies - contribute to sustainable development already exists in CDP’s dataset. It can be an indication of European policy effectiveness. Our latest review of disclosures, for example, showed that major emitters in the materials sector have cited the absence of regulatory obligations to produce low carbon materials as a main block on investment. Of particular benefit to policymakers could be information on emissions reduction activities and the cost to decarbonize. CDP data shows the cost of CO₂ abatement across industries (see Figure 2), the state of current investment in certain key technologies (Figure 3), and the emissions that can be cut by investment in energy efficiency or renewable energy (for more data on this see CDP’s 2020 report Barriers to low carbon investment).

Figure 2 - Cost of CO₂ abatement across industries

![Figure 2 - Cost of CO₂ abatement across industries](Source: CDP Europe)

Figure 3 - State of current investments in key low carbon technologies

![Figure 3 - State of current investments in key low carbon technologies](Source: CDP Europe)

Partly as a result of slow-moving regulation to make decision-useful non-financial reporting mandatory, CDP has for many years played the role of data collector and scorer. Annually, it scores companies (and cities) according to sector-specific methodologies (Figure 4). Firms failing to answer are scored F. The data’s comparability means it is used by intergovernmental organisations, stock exchanges and widely across financial markets, including on Google Finance and Bloomberg terminals, by MSCI, FTSE Russell, Trucost, Euronext and many more.
Financial products such as low-carbon and environmental indices, funds and ratings are built using CDP scores, including the Euronext Environment indices, Amundi subsidiary CPR’s Invest – Climate Action fund, and the STOXX Global Climate Change Leaders index, which includes only CDP A List companies and has outperformed its reference index by 5.3% for seven years. CDP also runs a freely available climate rating for funds, Climetrics, which independently rates over 30% of the global fund market on a 1 to 5 scale.

**Europe has many corporate leaders, but few are yet in line with the EU climate target**

The new European Climate Law will oblige and incentivize companies to set more ambitious targets for reducing emissions. An accurate picture of these emissions and the trajectory of cuts is key for ensuring that businesses make progress on the law’s overarching goal of climate neutrality by 2050.

The Science Based Targets initiative (SBTi) is the best vehicle for companies to set targets towards that. Targets for 340 companies to reduce emissions in line with at least a maximum of 2°C of warming have been approved. Over 100 are now approved to be in line with a maximum of 1.5°C, the more ambitious goal of the Paris agreement. These targets cover over 500 million tons of CO₂e (MtCO₂e) in annual direct emissions and, when met, will reduce European annual emissions by 170 MtCO₂e. That impact will only increase as more European businesses are emboldened to set more ambitious goals this year in the run up to COP26, through the Business Ambition for 1.5°C call to action.

Understanding companies’ alignment with the Paris agreement is key. One way of aligning is through the sector-by-sector methodology developed by the French Environment and Energy Agency (ADEME) and CDP called ACT - Assessing the low carbon transition. ACT looks holistically at companies’ impacts across supply chains to set firms on a below 2°C pathway. The project’s first public report covering major auto companies such as BMW, Renault, Daimler, and Groupe PSA found that none are yet on track. This detail about companies’ transition plans must be visible to consider the policy levers needed to hasten action.

The transition takes major investment. The European Investment Bank, Europe’s ‘climate bank,’ estimates that energy-related investment must double, while the Commission has said that low carbon investment needs to be €290 billion a year higher than it will be under current policies. EIB and Green Deal financing will play a major part. But most investment must come from the private sector. CDP data allows auditors and policymakers to see which industries and companies need support from the financial markets and regulation to de-risk long term business investments and make them feasible.
Recent data shows that European firms’ new low-carbon investments in areas like energy efficiency, low-carbon product research and renewable assets totalled €124 billion last year (Figure 5). That included €59 billion on capital investments (CAPEX), with the rest on R&D.

**Figure 5 - Top ten low-carbon investment categories by investment received**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Technology Area</th>
<th>Low-carbon investment, € billions, 2019</th>
<th>Main contributing sub-sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electrification</td>
<td>43.1</td>
<td>Transport OEMs</td>
</tr>
<tr>
<td>2</td>
<td>Renewable energy</td>
<td>19.5</td>
<td>Electric utilities</td>
</tr>
<tr>
<td>3</td>
<td>Infrastructure</td>
<td>15.0</td>
<td>Electric utilities</td>
</tr>
<tr>
<td>4</td>
<td>Demand-side response programs</td>
<td>6.4</td>
<td>Electric utilities</td>
</tr>
<tr>
<td>5</td>
<td>Digital technology</td>
<td>6.5</td>
<td>Electric utilities</td>
</tr>
<tr>
<td>6</td>
<td>Green metals</td>
<td>2.3</td>
<td>Metals &amp; mining</td>
</tr>
<tr>
<td>7</td>
<td>Energy/resource efficiency</td>
<td>2.1</td>
<td>Chemicals</td>
</tr>
<tr>
<td>8</td>
<td>Advanced technologies</td>
<td>0.9</td>
<td>Transport services</td>
</tr>
<tr>
<td>9</td>
<td>Product redesign</td>
<td>0.6</td>
<td>Chemicals</td>
</tr>
<tr>
<td>10</td>
<td>Alternative fuels</td>
<td>0.3</td>
<td>Transport services</td>
</tr>
</tbody>
</table>

Data on emissions reductions per euro invested can help estimate the cost to the corporate sector to transition to net zero (Figures 2 and 6). As an illustration, a subset of investments reported last year is expected to lead to over 2.4 gigatons of lifetime emissions reductions. That’s more than the combined annual emissions of Germany, the United Kingdom, Italy, Poland and France.

**Figure 6 - Top emission reduction initiatives**

<table>
<thead>
<tr>
<th>Initiative type</th>
<th>Marginal abatement cost € per tCO₂e</th>
<th>Low-carbon investment € millions, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency: Processes</td>
<td>-27.5</td>
<td>5,075</td>
</tr>
<tr>
<td>Energy efficiency: Building fabric</td>
<td>-23.5</td>
<td>1,218</td>
</tr>
<tr>
<td>Transport electrification</td>
<td>-18.3</td>
<td>67</td>
</tr>
<tr>
<td>Low-carbon energy installation</td>
<td>-16.6</td>
<td>11,138</td>
</tr>
<tr>
<td>Energy efficiency: Building services</td>
<td>-11.3</td>
<td>3,480</td>
</tr>
<tr>
<td>Process emissions reductions</td>
<td>-6.2</td>
<td>1,332</td>
</tr>
<tr>
<td>Low-carbon energy purchase</td>
<td>-4.6</td>
<td>856</td>
</tr>
</tbody>
</table>

However, double the current annual capital expenditure (€122 billion per year in total) is estimated as necessary for companies to be on track for achieving the EU climate target. This information helps to show where policies should focus. Many new investments in 2019 were profitable for companies targeting the low hanging fruit of sustainability. Companies expect €65 billion in cost savings from investments made last year, with a €41 billion added to bottom lines.

Much less investment is flowing into transformational technologies that have the potential to deliver significant emissions savings across hard-to-decarbonize industries such as cement and steel. Between them, companies in the materials industry are the source of around 40% of direct emissions of European companies reporting to CDP. But their spending was just 5% of all European low-carbon investment. Decarbonizing these industries depends on technologies such as carbon capture, utilization and storage.
Pleading for disclosure - comparable data is key to achieving the EU’s climate target

(CCUS) and hydrogen. These are expensive and need major cross-sector investments in new infrastructure to be scalable. Last year, both hydrogen and CCUS received under 1% of all new reported low-carbon investment (see Figure 3).

These technologies may prove critical to certain firms’ ability to exist in the future the EU is championing. But now they are risky bets, and struggle to attract much investment. EU policy can and should support them, as the technologies’ potential is hampered by carbon price uncertainty and market demand for zero-carbon materials. Without stronger regulations to build confidence in future carbon prices and demand for zero-carbon materials, these industries are likely to remain stuck at the R&D stage.

If it is implemented and reviewed properly, this could change as the European Commission brings regulation and spending into line with the climate neutrality target. Companies in all sectors can expect an escalation of supportive policies, ranging from changes to financial regulation to promote sustainable investments, to reform of emissions trading and taxation, and new low-carbon standards and incentives.

The future of disclosure

CDP has driven disclosure to become a business norm, but we are only halfway there. The most usable set of information which can be compared, packaged, audited and used to review the impact of policy and progress in the real economy audit still comes from the voluntary data disclosed to CDP, rather than in companies’ own annual reports. But only 50% of companies by global market capitalization report data voluntarily. Achieving climate neutrality will take improvements in the way this data is collected, and the way it is used across financial markets.

In the EU, regulation on corporate reporting – through the Non-Financial Reporting Directive (NFRD) and national legislation – is now gathering pace. As part of the Green Deal, the NFRD will be revised in 2020, a major opportunity to strengthen corporate reporting legislation.

EU legislators are concerned that there is confusion in the market, with an array of standards and ratings being used to report. The Commission wants to ensure that non-financial information, and its impact on value creation within companies in relation to accessing private and public capital, serves the environmental and societal goals of the Union and its citizens. For non-financial data to be useful, it should be standardized.

European leaders are therefore right to take proactive action to shape what data is being reported. Announced by the Commission’s Executive Vice President Valdis Dombrovskis in January 2020, they will define European standards for reporting non-financial data, the first public standards of their kind. This is an important step towards ensuring that the long-term risks and impacts of climate change and environmental degradation – both economic and societal – are reported in a globally-aligned way. The standards will presumably be used by EU auditors.

The other key step is to ensure non-financial information is priced into all investment decisions, with markets that are properly set up for ESG. Mobilizing the level of private investment needed for the European Green Deal and the 2050 target will require financial markets to massively expand the range of financial instruments available for sustainable investment. So far, demand is mostly served by products such as funds, indices and green bonds. Soon, however, all financial instruments on the capital markets will have to integrate ESG to improve market liquidity. For that, more accurate, standardized data is needed – and these developments in minimal disclosure standards may help the process.

The ECA can play its part to drive disclosure

Supervisors, regulators and auditors can promote the reporting and integration of environmental data. Public auditors such as the ECA serve taxpayers by ensuring that their interests are well-met by spending decisions, and by advising better financial
management and accountability. More detailed and comprehensive information about the progress made by companies can support these responsibilities. Disclosures by companies on both their impact on climate and the environment and the impact of climate change and environmental degradation on their financial performance can be a starting point for EU auditors to check whether green projects help the environment, leverage economic opportunities and mitigate financial risks.

The Commission intends to incorporate the recommendations of the TCFD into the revised requirements under the Non-Financial Reporting Directive. This follows the guidelines accompanying the NFR Directive on reporting on climate-related information, which already incorporate the TCFD recommendations. These recommendations would be a valuable addition to the guidelines on risk assessment in performance audits, especially to ensure that specific attention in audits is given to achieving the Commission’s priority to protect EU citizens from climate change’s most harmful impacts.

Further, EU auditors could use CDP company scores as a risk indicator when judging critical projects. Publicly funded green projects are often set up by local governments in partnership with the private sector. Transparency about climate-related financial risks identified by companies involved in delivering these projects is key, so poorly performing companies or those that refuse to disclose can be excluded.

Just as CDP has collaborated with the European Commission, we will continue to work with other organizations and to support EU institutions such as the ECA with our data and insights on environmental disclosure and action.
Fighting climate change - one of the EU’s strategic priorities and a major challenge

There is no doubt: fighting climate change is one of the strategic priorities of the EU. Already back in 2015, the EU played a major role in negotiating the Paris Agreement (the UN Framework Convention on Climate Change) whose goal was to keep the long-term increase in global average temperature to well below 2°C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5°C.

Transitioning to a carbon-neutral economy is, however, highly ambitious, as new technologies and perhaps a change of habits are needed to meet the strict emission targets: the 2030 target of a 40% reduction of greenhouse gas emissions implies that emissions must go down every year by at least 1.4% per year, i.e. 70% faster than so far achieved. Beyond 2030, the annual emission reduction rate will need to be two to three times greater in order to achieve the 2050 objective. Most experts agree that reaching such levels of reduction will also need significant changes in our way of life and consumption patterns. How difficult this will be is illustrated by the effect of the Covid-19 crisis and the lockdown.
on this year’s carbon dioxide emissions. According to a recent study presented in *nature climate change*, global carbon dioxide emissions have fallen by around 17% in 2020 so far and, depending on the duration of the confinement, may be down by 4% to 7% for the entire year. By way of comparison, following the financial and economic crisis in 2009, they fell by 1.4% (which was, however, only a temporary reduction, followed by a 5.1% rise in 2010). So even a significant economic crisis causes only a limited and temporary reduction in greenhouse gas emissions.

Financing this transition will be a costly undertaking. In June 2019, the Commission estimated that it would cost an annual €260 billion more in investments to meet the current 2030 climate and energy targets, representing about 1.5% of EU GDP in 2018. Just before the COP 24 meeting in Katowice, (Poland), the Commission indicated it would cost around 2.8% of the EU’s GDP, i.e. additional investments in the range of €175-290 billion annually at current prices, to achieve climate neutrality by 2050. To put it bluntly: the transition to a carbon-neutral economy will require massive investments.

**The MFF: a tool to align the EU finances with political objectives and strategic priorities**

The popular expression ‘Don’t tell me what your priorities are, just tell me what you spend your money on and I will tell you what they are’ applies not only to our private spending, but also to public sector budgets. What does this mean for the European Union? And what is proposed for the future?

To understand better what this means for the European Union, we have to look at the EU’s multiannual budget, the multiannual financial framework (MFF). It defines for a period of seven years where the EU’s revenue comes from and, in particular, determines how much each of the Member States must contribute. On this basis, it sets the limits for EU spending over a period of several years, and the maximum amounts available for each major spending area (or heading) for each year. Put simply, the MFF serves two main purposes: it ensures budgetary discipline and predictability with regard to EU finances; and it allocates financial means to the Union’s political objectives and strategic priorities. In principle, the implementation of each and every priority should be secured by sufficient financial resources.

So how do the MFFs reflect the EU’s political objectives and strategic priorities in this area? And to what extent do they contribute financially to the EU’s ambitious climate policies?

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1 Throughout the article, GDP and GNI are frequently used terms. Gross national income (GNI) is a measurement of a country’s income, including all the income earned by a country’s residents and businesses, including any income earned abroad. Gross domestic product (GDP) measures the value of goods and services produced within a country, including national output, expenditure, and income. GNI equals GDP plus wages, salaries, and the property income of the country’s residents earned abroad.

2 The MFF procedure is based on Article 312 of the Treaty on the Functioning of the EU. The Council, acting in accordance with a special legislative procedure, adopts a regulation laying down the MFF. The Council is required to act unanimously after obtaining the consent of the European Parliament by simple majority.

3 Article 311(1) of the Treaty on the Functioning of the European Union: ‘The Union shall raise the funds it needs for the purpose of attaining its own objectives and of carrying through its own policies.’
The 2014-2020 MFF’s ‘one-in-five’ target: a starter for mobilising additional EU spending on climate change action

Already in December 2013, when the negotiations for the current 2014-2020 MFF between the Commission, the European Parliament and the Council were finalised, a first significant effort was made to mobilise additional EU funding for climate and environmental policies: altogether, one fifth of the EU budget was earmarked to accomplish the EU energy and climate-related targets. It was also agreed to do this through ‘mainstreaming’. This means that funds within the different budget headings will be earmarked for climate-related measures, which taken together should correspond to 20% of the EU budget, or one out of every five euro spent.

However, this specific form of implementation of the EU budget - where climate action financing is dispersed across the various budget headings - makes it more difficult to determine the exact amount of EU funding actually allocated to climate issues. In particular, around three quarters of the 2014-2020 MFF still address the traditional EU spending areas of cohesion and agriculture. These shared management funds – for which the management is shared between the EU and the Member States - are largely compartmentalised and pre-allocated to spending priorities, as agreed upfront between the Member State and the Commission. While Member States have to work within a number of EU rules that must be complied with, there also remains a margin of discretion for each Member State to ensure these EU funds can be spent according to national preferences.

In 2016, in our special report 31/2016, we raised doubts as to whether the 20% target for the 2014-2020 MFF could be met by the end of 2020 (see also on page 47). In 2019, the Commission’s own estimates confirmed that there were difficulties in the first two years, but indicated that the climate-related spending under the 2014-2020 MFF met or even exceeded the target in the following five years (see Figure 1).

Figure 1 - Climate-related spending in the EU budget, 2014-2020 (€ billion and percentage of the EU budget)

1 From 2014 to 2020, the EU was entitled to spend up to €959.5 billion in commitments and €908.4 billion in payments (at 2011 prices). During this seven-year period the EU budget thus accounts for broadly 1% of the Member States gross national income (GNI). For comparison, the revenue side of the US federal annual budget in 2019 amounted to $3.5 trillion, corresponding to around 16% of the federal states’ income.
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However, there are also other studies which indicate, at least for the cohesion policy area, that Member States allocated far less than 20% of the EU funding to projects related to energy efficiency, renewable energy and related infrastructure, and research and innovation for climate action (see also on page 154). Part of the differences can probably be explained by which headings of the EU budget are analysed, the period taken and which criteria are used for climate-related spending, as also discussed in our 2016 report.

However, taken as a whole, it appears that the EU budget has mobilised a significant amount of climate-related funding, and come at least close to meeting its ‘one-in-five’ target.

**Climate change action has become an international commitment for both the EU and Member States**

Following the Paris Agreement, which came into force in November 2016, it became clear that the necessary additional financial means to implement this ambitious climate policy were simply not available in the EU budget, as the 2014-2020 MFF had been agreed between the Member States back in December 2013. In addition, it was clear from the outset that amounts of such magnitude could not be easily provided through public spending alone. Private financing will also need to play a role in addressing this gap.

This illustrates a key dilemma of the EU budget: unlike national budgets, most of EU spending is for investments which need planning security. And the EU budget clearly is a long-term, and therefore rather inflexible, financing plan: once it has been agreed, it sets the spending frame for the entire period, and re-negotiating such a complex package requires significant political will. This is particularly a problem if policy objectives and strategic orientations change significantly during an MFF period. In this case, the financing of investments no longer matches the new priorities.

The solution to this problem was to provide much of the EU funding for climate action during the period 2015-2020 through the European Fund for Strategic Investment (EFSI), managed by the European Investment Bank (EIB) outside the MFF. In 2019, **EFSI spending on climate action** already amounted to more than €19 billion. This corresponds to more than half of the climate-related funding under the MFF in the same year (see Figure 1). But there is one main difference: most of the spending under the EU budget is in the form of grants, but all of the EFSI spending is repayable.

**MFF negotiations launched in May 2018**

Against the backdrop of the EU’s climate policy objectives following the 2015 Paris Agreement, the negotiations for the post-2020 MFF provided a new opportunity to address the question of the adequacy of funding in the EU budget to reduce the risks and impacts of climate change.

In June 2017, when the Commission issued a reflection paper on the future of the EU finances, increasing EU funding for climate action was not yet at the forefront of the debate. This changed in May 2018 when the Commission issued its first proposal for the 2021-2027 MFF. According to this proposal, the commitment appropriations were to increase from €1 087 billion (in 2014-2020) to €1 279 billion (in 2021-2027) at 2018 prices (see Figure 2).

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2 The EFSI is backed by guarantees from the EU budget and uses them to leverage additional public and private funding by providing loans with preferential interest rates and guarantees, and by financing equity investments (see also page 135).
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Figure 2 - Commission’s first MFF proposal for 2021-2027

In particular, the Commission proposed to continue the mainstreaming approach, but to increase the target for climate-related spending by five percentage points from 20% to 25%. In monetary terms, this would have amounted to €320 billion spending for the 2021-2027 MFF through climate mainstreaming,\(^1\) or around €45 billion per year in 2018 prices (as compared to €217 billion in the current 2014-2020 MFF, i.e. around €31 billion per year). This would have more than doubled the expenditure being earmarked for climate objectives across all EU programmes over the seven-year period.

The EU’s new political priorities after the 2019 EP elections

From the beginning of the MFF negotiations, many observers expected that the negotiations would really start only in the second half of 2019, to be concluded under the German Presidency in the second half of 2020. This was mainly because it was considered doubtful whether an outgoing European Parliament should (and could) negotiate and adopt such an important and politically sensitive agreement, without creating the risk that the newly elected parliament would request a reopening of the negotiations. Moreover, the (budgetary) implications of the UK withdrawal had not yet been determined at that moment.

The sequence of events in 2019 - with elections to the European Parliament in May 2019 and the nomination of Ursula von der Leyen as the new President of the European Commission and her election by the Parliament in July 2019 - created a unique opportunity to align EU spending priorities for the 2021-2027 period with the EU strategy on climate change and the EU’s international commitments under the Paris Agreement. In this context, it was helpful that the EU Institutions involved in the MFF negotiations set out their strategic priorities for the post-2020 period before the MFF negotiations went into their final phase during 2020. In October 2019, the political guidelines for the mandate of the incoming Commission were adopted. They closely followed the strategic orientations adopted by the European Council in June 2019. Both strategic documents, apart from listing other important issues as political priorities (such as protecting EU citizens’ freedom and EU external borders, developing a strong

\(^1\) As regards climate-related measures under the Commission’s direct management, around €5.45 billion was allocated to the sub-heading ‘environmental and climate actions’, in particular the EU Programme for the Environment and Climate Action (LIFE).
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and inclusive EU economy, etc.), explicitly name the mitigation of climate change and building a climate-neutral EU as one of the top priorities for the 2019-2024 period.

The European Green Deal proposed in December 2019

From a climate policy perspective, the key initiative of the new Von der Leyen Commission is the proposal for a ‘European Green Deal’ made in December 2019. As regards climate change, it aims to make the European Union the first climate-neutral bloc in the world by 2050 through a combination of regulatory and budgetary measures (see Box 1).

In January 2020, the Commission presented an investment plan as part of this European Green Deal. Altogether, this plan aims to mobilise €1 trillion of private and public investments by 2030. It also provides further details on how to use the funding for climate action in the 2021-2027 MFF, including on how to finance the transition towards less carbon-intensive technologies in specific regions (see Figure 3).

Box 1 - Regulatory measures proposed as part of the ‘European Green Deal’

As part of the European Green Deal, already existing EU regulations would be revised and new regulations would be proposed in various fields in the upcoming period: this would include, for example:

- a comprehensive plan to increase the EU 2030 climate target to at least 50% and towards 55%, in a responsible way;
- a proposal on a European ‘Climate Law’ enshrining the 2050 climate neutrality objective;
- proposals for revisions of relevant legislative measures to deliver on greater climate ambition, following the review of the Emissions Trading System Directive; Effort Sharing Regulation; Land use, land use change and forestry Regulation; Energy Efficiency Directive; Renewable Energy Directive; CO2 emissions performance standards for cars and vans;
- a proposal for a revision of the Energy Taxation Directive;
- a proposal for a carbon border adjustment mechanism for selected sectors, thereby counteracting the risk that companies transfer production to countries that are less strict about emissions.

In addition, in this roadmap the Commission announced a number of initiatives in the field of standardisation, investment and innovation, national reforms, and international cooperation.

Figure 3 - How will the ‘European Green Deal’ Investment Plan be financed?

Around half of the total funding for investments under the ‘European Green Deal’ – €503 billion - would come directly from the EU budget, mainly as grants. The financing model for the remaining part would largely build on the EFSI blueprint. In particular, the EU budget would be used to provide guarantees to the ‘InvestEU’ initiative, which would generate national public and private investment amounting to another €280 billion. This EU support would be re-payable and take the form of loans, guarantees and equity investments. This part of the investment plan would be managed by the EIB as well as national and international financial institutions. In addition, there would be the
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Just Transition Mechanism¹ (JTM), providing targeted financial support to Member States to reduce the carbon-intensity of their economies. Finally, the EU Emissions Trading System (EU ETS) should be transformed into a new revenue source for the EU budget² (see also page 178).

The European Green Deal - a game changer for EU spending on climate action?

The European Green Deal proposal should not only be seen as a commitment to mobilise significant amounts of finance for fighting climate change. Quite possibly it also represents a significant shift in spending priorities for the EU budget itself. According to the Commission, the expenditure it plans to allocate to the European Green Deal corresponds to nearly 40% of the initial Commission proposal for the entire MFF period, i.e. significantly more than the 25% target initially proposed, even if some of the €503 billion would have been allocated to environmental matters other than climate.

Whether such a substantial reallocation was likely to be agreed by the Member States during the negotiations is debatable. However, in February 2020, there was already a general political agreement to increase at least the mainstreaming of climate-related spending in the EU budget. The 25% target was included in the ‘Negotiating Box’ published by the Presidency of the Council in December 2019. And President Von der Leyen had explicitly stated that she would not accept any MFF deal with less than 25% of budget expenditure earmarked to support climate objectives.

In any case, even a 40% share of climate-related spending within the EU budget would not be sufficient on its own to finance the transition to a carbon-free economy. As for the EFSI, the Commission’s European Green Deal proposal relies on leveraging guarantees from the EU budget: over half of the intended €1 trillion investments would be made through repayable forms of financial support, in the form of loans, guarantees and equity investments.

Covid-19 pandemic struck in March 2020

Everything changed with the Covid-19-induced public health, and, more importantly, economic crisis. From March 2020 onwards, as an immediate response to the Covid-19 crisis, Member States started to put in place unprecedented fiscal support measures to prevent a major economic recession. The Eurogroup has estimated that these national measures correspond to more than 3% of EU-27 gross domestic product (GDP), and measures to provide liquidity support for sectors and companies facing difficulties to more than 16% of EU-27 GDP.

They were complemented by a number of initiatives by the European Stability Mechanism (ESM) and the European Central Bank (ECB) for Member States in the eurozone: This includes in particular the ESM’s €540 billion’s ‘Enhanced Conditions Credit Line’ (ECCL) to cover some of the costs of the Covid-19 crisis support (limited to up to 2% of a euro area country’s economic output) and the ECB’s ‘Pandemic Emergency Purchase Programme’ (PEPP), a temporary €750 billion programme for purchasing private and public sector securities to counter the economic effects of the Covid-19 crisis.

For all other Member States – i.e. those outside the eurozone - the EU support is more limited: in particular, the ‘Coronavirus Response Investment Initiative’ has allowed frontloading of €37 billion of spending from the European Structural Investment Funds (ESIF) and a more flexible use of these funds on Covid-19-related measures in 2020. Also, the EU budget provides a €1 billion guarantee to the EIF, to ensure that banks

¹ The JTM will provide three types of financial support, subject to a programming exercise which is modelled on the partnership agreements between the Commission and Member States under the 2014-2020 European Structural and Investment Funds (ESIF): the ‘Just Transition Fund’ (€30-50 billion), which will provide grants for social and economic transformation in the eligible regions, a dedicated scheme under ‘InvestEU’ to mobilise up to €45 billion in private investment, and a loan facility providing loans to allow for additional investments of €25-30 billion by the public sector.

² According to the current plans, the ETS would be extended to cover new sectors (e.g. the maritime sector, emissions from buildings). The extended ETS would serve as revenue for the EU budget: according to the plans, 20% of the revenue from the auctioning of EU ETS could be directly allocated to the EU budget. The Commission plans to publish the related proposal on the revision of the ETS in June 2021.
provide sufficient liquidity to bridge capital needs, in particular, of SMEs. However, no additional money has been made available. Moreover, the EIB has set up a €25 billion guarantee fund for mobilising up to €200 billion of investments through local banks and other financial intermediaries, and specific support schemes for SMEs, mobilising up to another €40 billion of financing.

Never waste a good crisis

Until March 2020, the 2021-2027 MFF negotiations thus seemed to follow their largely pre-determined path. The Covid-19 crisis, however, gave a new impetus to the ongoing negotiations, opening up the possibility for the Commission to make innovative proposals to further develop the EU budget. In March 2020, the European Parliament asked the Commission to reformulate and adapt its spending priorities and submit a new MFF proposal to the legislators. Moreover, in April 2020, the European Council joined the European Parliament in asking the Commission to make a proposal on how to finance the reconstruction of the economy in Member States, agreeing in principle to set up a dedicated recovery fund.

Some of the proposals made so far could have a profound impact on the way EU budgets are financed and spent, and may even result in a significantly larger MFF including the SURE reinsurance scheme and the recovery plan. As early as April 2020, the European Commission proposed a new instrument ‘Support mitigating Unemployment Risks in Emergency’ (SURE), as a €100 billion reinsurance scheme for national unemployment insurance systems, but focussed on short-time work and schemes that avoid lay-offs during shocks like Covid-19. The SURE initiative will be part of the MFF, but has been proposed using Article 122 of the Treaty on the Functioning of the European Union; a measure that does not require the European Parliament’s approval.

Finally, on 27 May 2020, the Commission presented its detailed proposals for a recovery plan. The proposal sets out the 2021-2027 MFF, with commitment appropriations slightly decreased to €1100 billion at 2018 prices compared to the first proposal. However, in addition to the ‘core’ MFF and as part of the budget, there should be a €750 billion recovery fund ‘Next Generation EU’ to be repaid over 30 years (see Box 2).

Box 2 - Further details on the Commission proposal for a ‘Next Generation EU’ recovery fund

This instrument should focus on the first years of recovery, rather than becoming permanent. It will be available to all Member States, but will focus on those parts of the Union that have been most affected and where the needs are greatest. The €750 billion would be debt-financed and the financial support would be partly through grants (€500 billion) and partly repayable (€250 billion). Spending should be aligned with the EU policy goals, and in particular climate and digitalization. It should focus on the first years of recovery, rather than becoming permanent. All funding would be made through the EU budget. It would thus be subject to parliamentary oversight (and external audit by the ECA). Repayment of the debt would not begin before 2028.

There would be three spending priorities: the largest part would focus on public investment and reforms, mainly through the ‘Recovery and resilience facility’, providing both €310 billion in grants and €250 billion in loans. This spending would be administered through the Cohesion programmes and the ‘Just Transition Mechanism’, but allocated between Member States on the basis of needs rather than their relative wealth. A second priority would be to support private investments. For this, the ‘InvestEU’ programme would be strengthened to help invest in strategic industries and a new ‘solvency support instrument’ would be set up under the EFSI with a €75 billion guarantee from the EU budget to allow for a recapitalization of companies who are at risk of insolvency as a result of the lockdown. The third priority would entail additional funding through existing programmes such as ‘RescEU’ and ‘Horizon Europe’, as well as a new public health programme, ‘EU4Health’.
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Both initiatives – i.e. SURE and the recovery fund - will be debt-funded, which would be a novelty for the EU budget. Moreover, the spending of both initiatives would take place through the EU budget rather than through parallel inter-governmental arrangements outside the MFF.

Nevertheless, it is not difficult to predict that the new initiatives for the 2021-2027 MFF will be intensely discussed in the coming weeks, raising new questions and reopening old ones, such as:

- how will the additional debt funding be sourced: will there be also other new own resources such as taxes on the digital economy, one of the economic winners of the Covid-19 crisis, a tax on large companies’ operations, a carbon levy on non-EU imports or a plastics tax as suggested by the Commission?
- by how much will the recovery fund increase, overall, the next MFF?
- to what extent will the additional recovery spending be front-loaded? Until when will the recovery fund provide support?
- to what extent will the support from the recovery fund be grant-based, rather than re-payable?
- who will receive funding and, most importantly, for what? Will there be any additional conditions? How will the Commission monitor the investment decisions by Member States?
- how will the implementing rules look? What will be the accountability and accounting arrangements?

We are in unchartered waters here. Never before did we see such a fundamental impact on the MFF negotiations, so late in the process, and against a background of such a level of uncertainty as regards the economic and fiscal outlook of the EU and its Member States. Negotiations between Member States are also hampered by the continued lockdown and travel restrictions that make it more difficult, if not impossible, for the heads of state to meet in person in the coming weeks.

And finally, we will need to see how this ambitious Commission proposal will work out in the legislative procedure between the Council and the European Parliament. In the end, the Member States need to agree to the proposal unanimously, but the European Parliament still has the right to reject such a compromise.

‘More for more’? Not necessarily for the EU’s spending on climate action

What does this new MFF proposal mean for climate-related funding? Obviously, a key aspect is whether there will be an overall increase in the EU budget, and if so, by how much, in particular because the revised Commission proposal has maintained the 25% target for climate mainstreaming across all MFF spending. As a result, a larger EU budget – thanks to additional funds from the ‘Next Generation EU’ plan - should in principle lead to more spending on climate-related measures. Both the European Commission and the European Council have underlined that the European Green Deal should serve as a compass for a revamped 2021-2027 MFF, stressing in particular the need for investments in green and digital technologies. This was also echoed by 17 European ministries who called on the Commission to use the Green Deal as a framework for recovery plans and underlined the need for solutions in line with the objectives of the Paris Agreement. And there is no lack of suggestions from NGO’s on which investments should be prioritised.

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1 Another novelty was that the Commission proposal was preceded by two initiatives of groups of Member States: a joint Franco-German proposal of a €500 billion debt-financed recovery fund which would provide support through grants, and be re-financed through Member State contributions to the MFF in later years. The Netherlands, Sweden, Denmark and Austria made a counter proposal which insists that the financial support should be limited to providing back-to-back loans to Member States.

2 See for example the report of the European Environmental Bureau (EEB), ‘Industrial Transformation for a More Resilient Future,’ May 2020
Whether this will be the case remains to be seen. For example, a Covid-19-induced recession could lead to changes in public opinion. Poorer citizens may be more reluctant to bear the cost of climate-friendly policies, because in the short-term such policies could destroy even more traditional jobs. The national governments’ overriding priority will be to minimise the economic impact of the Covid-19 crisis and maintain employment levels. In an economic crisis, investments in low-carbon technologies compete more than ever with other investments, such as building transport infrastructure, which are at least in the short run often more job-intensive. In addition, the technological capacity (and willingness) of Member States to invest in low-carbon technologies as part of the economic recovery may differ.

We will need to wait for the outcome of the negotiations to see what this entails for the EU’s financing of climate-related measures over the next seven years. In any case, the Covid-19 crisis has highlighted once again that a more ambitious European Union also needs a more ambitious budget. It is simply unrealistic to expect that an EU budget that corresponds to around 1% of the EU’s GNI is adequate to finance an EU-wide economic recovery, while supporting the 27 Member States in their transition towards carbon-neutral economies.

However, at this stage, one thing is already certain: once the 2021-2027 MFF has been adopted, we, as the EU’s external auditor, will have to examine how the EU budget will be implemented each year on the ground. And in doing so, we will be expected to examine not just whether money has been spent in accordance with the rules, but what for and with what effect. And this will include the financial support provided through the EU budget for the fight against climate change: one of the EU’s strategic priorities and one of the most challenging tasks for our generation and those of the near future.
Trying to lead by example: the ECA’s own efforts to reduce its environmental footprint

Interview with Natalia Krzempek, former ECA coordinator for EMAS

By Derek Meijers and Donata Rihtarić, Directorate of the Presidency

From 2013 to February 2020, Natalia Krzempek was the environmental coordinator at the ECA for greening the organisation’s own activities. Her first task, when she joined the ECA in 2013, was to contribute to the development of an environmental management system and to become the project manager to make the ECA ‘EMAS proof’, i.e. in line with the EU’s ‘Eco-management and Audit Scheme’. Before Natalia moved on to new professional fields outside the ECA, Donata Rihtarić, former intern in the Translation, Language Services and Publication Directorate, and Derek Meijers interviewed her, well before the Covid-19 crisis, about her efforts to reduce the ECA’s environmental footprint and to make it a greener place.

EU institutions have a leading role

Natalia is proud of her work as the environmental coordinator at the ECA but speaks modestly about it: ‘The EU is committed to environmental protection worldwide, and this commitment includes its contribution to sustainable development by applying the principles of sound environmental management in its day-to-day work. It is our duty, our obligation. We are not in this for the medals, but for the impact it has on the environment.’

She explains that the ECA is not alone in improving its environmental performance. ‘Many EU institutions and bodies include protection of the environment in their work and work programmes and are committed, as the ECA is, to taking measures to mitigate the negative effects of climate change. Then, of course, the Commission is working on a wide range of environmental policy initiatives as part of the Green Deal. They are pointing us in the right direction. So, yes, we are in good company.’

Local leverage

Despite the obvious importance of institutional support for climate action at EU level, Natalia considers local initiatives to be the decisive factor when it comes to achieving the most impact. ‘Collaboration at local level with public administration and the private sector boosts positive environmental changes. By promoting and implementing suitable environmental measures at local level, we encourage citizens to take action and start changing their own habits and business…’

Many EU institutions and bodies […] are committed, as the ECA is, to taking measures to mitigate the negative effects of climate change.

… we encourage colleagues and other citizens to take action and start changing their own habits…”

Natalia Krzempek
models towards a sustainable way of doing things. One example of such collaboration in Luxembourg is the *Inspiring More Sustainability* platform, also called IMS. It is the leading network in Luxembourg of organisations, companies and institutions involved in Corporate Social Responsibility. Altogether it accounts for 18% of the Luxembourg workforce.

Natalia is happy that she could play a role in the ECA recently becoming an IMS member as well. ‘It makes sense to join, as the IMS initiates a range of projects to facilitate innovative green initiatives. The IMS is very effective in mobilising and bringing together stakeholders from both the private and the public sector. It is an independent, apolitical, non-profit organisation that acts as a catalyst for the expertise of its member organisations.’ She adds that IMS projects cover three main areas: people, planet and prosperity.

**Ambitious goals**

Natalia is pleased to see that these days not many people seriously question climate change anymore and most people understand that its possible cost by far outweighs the cost of taking action against it. According to her this was also clear in the shifting position at EU level. ‘In October 2014, the European Council adopted a revised 2030 climate and energy framework in which it set ambitious targets for renewables and energy efficiency and to reduce the environmental footprint of its institutions.’ She explains that these include EU-wide targets and policy objectives for the period from 2021 to 2030, of which the most important are:

- a 40% cut in greenhouse gas emissions (GHG) (from 1990 levels);
- reaching at least a 32% share for renewable energy;
- improving energy efficiency by at least 32.5%.

Natalia: ‘Like the other institutions, at the ECA we are fully focused on achieving those goals, without losing sight of the new vision of a climate-neutral EU, which is at the heart of the European Green Deal. And here some measures, as part of our environmental management system, include monitoring the ECA’s GHG emissions, the energy performance of the ECA’s buildings, the use of electricity from 100% renewable resources, or the automatic switching off of lights in our buildings.’ Natalia adds that, since 2014, the ECA’s carbon footprint balance has been published annually. ‘This is a transparent way of communicating to the public what our GHG emissions are and what our efforts have been and will be to reduce them. And over the past couple of years we have seen a very good development, thanks to simple changes, such as decreasing staff travel for professional purposes and promoting car-sharing, or turning off equipment when not in use. But also more structural changes in the way we work, such as encouraging home office working.’

For Natalia, working remotely has great potential to substantially reduce the GHG emissions of the ECA. Other measures she mentions include the use of video conferencing to decrease travelling and using Green Public Procurement tools to procure supplies, services and works with a reduced environmental impact. ‘As an institution, we have made some significant changes. However, the big challenge will be to keep up the good work and thereby sustain the trend towards GHG emissions reduction.’

**The need for tips and guidance**

Natalia remains optimistic when it comes to implementing environmental measures. ‘Of course, sometimes there are so called “unpopular” measures and it can be a real challenge to convince colleagues to change their behaviour and apply them. But the key to success is to stay positive, putting forward solid arguments for the introduction of such measures. And never give up – just do what you believe, even if you need to take some roundabout ways to get there.’ She underlines
that it is important to continuously inform people about the need for environmental action and to engage them, to explain what small changes in their behaviour can help.

As an example, she refers to the removal of personal waste bins from the offices, which contributed considerably to the reduction of the amount of municipal waste produced by the ECA's staff. ‘At first, as expected, colleagues were unsure, as they had to change their habits and make a bit more effort to throw away their rubbish. But after some time, we noticed people appreciated the new central recycling bins for different types of waste that were placed at strategic locations on each corridor.’ One particular side effect, as Natalia recalls, was that staff complimented the ECA's green team for forcing them to walk more! ‘As with many measures, it was not only positive for the environment, but also for the individual. Recycling feels good, and if you get some extra exercise while supporting the environment, that really is a win-win situation, beneficial to individuals and their organisation.’

**Inspiration rather than perspiration**

Natalia underlines that the main goal of the ECA’s environmental action towards its staff is to inspire individuals to live a greener lifestyle. ‘Successfully stopping climate change means changing fundamental characteristics of everyday life. That means that we need to create a solid framework based on environmental education, environmental awareness that will help to cultivate attitudes of concern, build knowledge and skills, and finally, promote civic engagement for the environmental cause’.

That is why there are regular campaigns and activities at the ECA, with guest speakers discussing topics such as sustainable mobility, waste prevention and climate action. Natalia: ‘It makes a big difference when people get to try out electric bikes themselves, or when they hear an inspiring speaker like Bea Johnson or Jérémie Pichon talk about their zero-waste lifestyle’ (see also page 128). Natalia explains that such activities offer first-hand experience and motivate people to try and adopt new environmentally-friendly habits in their own lives. ‘People like to hear a success story and learn about practical alternatives for their less environmentally-friendly daily activities.’

**Green ECA – more than just a corporate colour**

The ECA is constantly working on improvements when it comes to the question of combating climate change, says Natalia. ‘Our corporate colour is green, but we are also continuously implementing new measures and introducing changes to be ecologically green as well! But becoming more environmentally friendly is a process and not a one-time decision. ‘Once you label yourself a green organisation, the new challenge is to continuously inform, educate and engage your staff about how to continue to act green in their the day-to-day tasks.’

Natalia prefers to avoid comparisons with other EU institutions: ‘Greening the ECA is not a competition! We are all in this together, and we are working with the same purpose to contribute to the EU’s environmental protection and the UN sustainable developments goals: to combat climate changes and reduce our negative environmental impact. We have one planet to live on, so we have one goal: to protect and preserve it.

**Box 1 - EMAS: The EU Eco-Management and Audit Scheme for environmental management**

EMAS allows all types of organisations to improve their environmental performance and achieve recognition for doing so. The aim of EMAS is to recognise and reward those organisations that go beyond minimum legal compliance and continuously improve their environmental performance. EMAS calls for maintenance of an effective environmental management system (EMS) which ensures that an environmental policy is available, that objectives, targets and programmes are set to improve environmental performance, and ensures the promulgation of such to guarantee continuous improvement as a whole.
‘That is also why we collaborate with other organisations and EU institutions: we support each other and cooperate on different platforms.’ She adds that the exchange of information and good practices in the implementation of environmental management systems and green networking are a very valuable source of information needed for constant improvement.

**EMAS registration and ISO certification**

One important factor to show progress and commitment towards becoming an environmentally friendly organisation is to get certain types of certification. Natalia: ‘As an institution, the ECA opted to become registered under the Eco-management and Audit Scheme, also known as EMAS, and for ISO 14001 certification. We opted for these two because EMAS is the strictest international certification for environmental management systems, and on top of that a European standard for environmental management that is based on EU regulations.’ See for more information **Box 1**. On the other hand the ISO standard is known world-wide. Natalia: ‘ISO 14001:2015 is a product of the International Organisation for Standardization, which is a worldwide federation of national standards bodies. We thought that for us the best option would be to have both, and the ECA got both. They are important tools to help in our continuous improvement of environmental performance.’

Natalia explains that EMAS is compatible with ISO 14001: 2015, but that it goes further than the ISO standard. Important aspects that Natalia highlights are transparency and credibility: ‘Through EMAS we are obliged to communicate very detailed environmental information to the general public by means of an environmental statement. We are also obliged to ensure our legal compliance with environmental legislation and provide appropriate evidence. Both EMAS and ISO 1400/2015 require periodical third-party audits. Certification is only awarded through a very transparent process in which your measures are scrutinised by an accredited independent and competent external verifier. And they set the bar high, which makes ISO certification and EMAS registration much more meaningful.’

**The way forward**

Despite the achievements at the ECA, Natalia still sees many opportunities for the institution to become even more environmentally friendly. She believes there are several areas that need further actions, such a fostering a mobility strategy and the removal of single-use plastic packaging. ‘Transportation of people is a main source of GHG emissions from the ECA’s activities, representing approximately 40% of total emissions every year, thus emissions-cutting measures are necessary.’

Also waste prevention, and in particular the ban on having single-use plastic items, could be another main priority for the ECA to become even more environmentally friendly. Natalia: ‘A plastic-free ECA is definitely one of my dreams. It is a difficult task and an area where people are resistant to change. We have already removed single-use cups and we have been using only crystal glasses and porcelain mugs since several years ago. But there are still plenty of single-use plastic items to remove.’ She mentions bioplastics as an intermediate option. ‘But they are not the definitive solution. It is a complex issue, but we see that it is possible.’ As an example of best practice, she refers to the European Committee of the Regions and the European Economic and Social Committee in Brussels, which eliminated single-use plastics from all their catering activities in 2019. ‘They changed to a restaurant that is fully free of single-use items, such as plastic bottles, plastic packaging films for sweet and salty snacks and take away food packaging. A real eye-opener!’

Natalia concludes that the ECA might not be at that level yet, but that it is on the right track with the introduction of the ECO-box, a Luxembourg-wide government-initiated scheme for reusable take-away food boxes. ‘Overall, I am confident that the ECA is on the right path to achieve the EU environmental targets, and that it will continue to work towards a truly green ECA!’
ESPAS, the European Strategy and Policy Analysis System, monitors global trends and offers strategic foresight to the EU’s decision-makers. It is a system based on inter-institutional collaboration between European institutions, including the ECA. Last year, it published a trend report in which it presented its vision for the world of 2030 (ESPAS Report 2019: Global Trends to 2030). In a video, released in early May 2020, in the midst of the Covid-19 pandemic, Florence Gaub, Deputy Director of the European Union Institute for Security Studies (EUISS) - the Union’s agency which analyses foreign, security and defence policy issues, and is a partner of ESPAS and lead author of the 2019 ESPAS report - summarises the main messages of the ESPAS report and makes a strong case for climate action.

The future is now

Mention the year 2030 anywhere and there is a good chance most people will shrug and say: ‘That is way too far into the future for me to worry about now.’ That is at least the feeling you have if you were born just before the start of this millennium. However, today, the current millennium is already in its twenties, which means 2030 lies less than 10 years away from us. Times goes fast!

That is also the feeling that creeps up on me when looking at future foresight work. We talk about the future, but when you consider how fast the last ten years flew by, the future is not on our doorstep, but it is actually already halfway through the door. This means there is very little time left for us to prepare and make sure it will be a pleasant experience.

Fortunately there are detailed roadmaps available, showing various possible scenarios and destinations, indicating numerous pitfalls, tight corners and bad neighbourhoods we should avoid. The pre-Covid-19 ESPAS Report 2019: Global Trends to 2030 is one example and reveals what the road ahead will most likely look like in 10 years’ time. For more information about ESPAS, see.
Fighting climate change: creating a win-win situation

Florence Gaub’s view on Global trends to 2030

Just as in the ESPAS report, Florence Gaub’s recent video – which takes less than eight minutes to watch, see below for some screenshots - summarises the most important trends and issues that we will have to deal with in the near future. What becomes clear is that all the key issues are clearly connected to each other and that climate change will remain the number one hazard ahead. And therefore the number one priority for global governments to deal with.

Apart from climate change, the world we will live in in 2030 will have a number of other key characteristics. That world will include a much larger world population of almost 9 billion people, of whom more than two-thirds will live in urban areas. Since a good part of those people (in Europe even 25%) will be 65 years or older, the issue of increased costs for health care and pensions will be one of the tougher nuts to crack, especially when considering a shrinkage of the work force by 2%. Fortunately, though, our economy will develop into a more knowledge-based one, which means a smaller number of workers will be needed to keep up or improve our current production levels.

More people = more problems

It is easy to conceive the possible consequences of such an increase in the world population and Florence Gaub’s video provides us with some clear examples. Put into the mix that, in 2030, around 90% of the global population will be able to read and write. Couple this literacy to the expectation that 75% of the population will have a mobile device that is connected to the internet, and 60% will even have broadband – it becomes obvious that a number of issues are hovering over the horizon. Those estimated 125 billion mobile devices need to be built, powered and recycled, which will have a significant environmental impact.

Just to give a few examples: those devices will be used to book transportation (e.g. air travel will double to 7 billion passengers per year), order goods online (transportation of cargo might triple), and to operate innovative apps from the internet of things. But as we start to live more and more online, our energy needs also increase dramatically, and so do global emissions.

Needless to say, the real drama will be the higher average temperatures and the climate that comes with them. The already scorching temperatures that characterise summers in North Africa and the Middle East, for example, will only get higher, causing wildfires, draughts and food shortages. The domino effect is that people will seek refuge in cities, where they will very likely fail to provide for themselves, which might lead to famines, unrest and conflict. And it is unlikely that the local governments there will be able to deal with those issues tomorrow, as they are already overwhelmed with current crises today.

Climate change - spider in the web

With all the trends that are expected to materialise in the coming decade, climate change is the one that stands out above all. According to Florence Gaub, it acts as a threat multiplier, for example, when hotter summers lead to draughts, which lead to water shortages, which lead to failed harvests, which lead to famines, which lead to social unrest and – potentially – conflicts. She mentions that the Intergovernmental Panel on Climate Change (IPCC - the
United Nations body for assessing the science related to climate change, see also page 13) estimates that in 2030, around 1 billion people will have insufficient sources of water, due to the effects of climate change.

This will prove to be especially problematic in North Africa and the Middle East, where the average hike in temperatures will be even 1.5 times higher than in the rest of the world. The devastating effects of desertification we can already witness today will thus become an ever greater issue for those - already instable - regions. In this context, Florence Gaub adds that some studies even indicate that climate change could undo everything that has been achieved in the area of poverty reduction in the past decades and that around 100 million people will be suffering from extreme poverty in 2030.

**The future (could be) bright**

Fortunately, the future does not have to be so gloomy at all. Florence Gaub underlines that all future challenges, such as climate change, energy needs, new and innovative technologies, urbanisation and demographic issues, are interconnected. So when we tackle one, we can mitigate a dozen other risks: a win-win situation. It will require some adaptation though, as our current consumption levels are unsustainable, especially for all of Earth's inhabitants.

To fight climate change, we must start to make a real effort to achieve energy transition, which is long overdue. If we manage to reach the goal of limiting the rise in temperature to 1.5 degrees by 2025 (less than five years to go!), we might be able to mitigate the most disruptive social-economic effects of climate change. But this will require action on many different levels, as well as a leading role for less traditional actors, such as cities, companies and NGOs.

The change to a greener economy will be essential, and the EU's goal of drawing 32% of its energy needs from renewable energy sources by 2030 would be a good step in the right direction. 'However,' says Florence Gaub, 'if the EU takes the right type of action, we can get there even sooner!'

**Change of lifestyle**

In her video, the lead author of the 2019 ESPAS report makes it very clear that climate change is part of the problem, and thus of the solution, for most problems that we will have to face in ten years' time. Take the fact that people will get older, but that those final years are unlikely to be enjoyed in good health, our diet and a lack of exercise, at least in Europe, being the main culprits. Diets high in animal proteins are a known risk factor for many age-related diseases and, in addition, meat production is very inefficient and very taxing for the environment.

Take for example the fact that the 14.5% of greenhouse gas emissions that are produced by cattle raised for meat and milk are roughly double that of the environmental impact of plant-based foods. It is therefore clear that our diets must become more environmentally friendly and that a protein transition is necessary. This would be beneficial for our senior selves as well, as a healthier and more sustainable lifestyle will reduce the risks of age-related diseases, curb the burden on our health care system, and contribute to a better quality of life. In turn, this will enable us to be productive longer, which is good news for pension schemes and the overall economy.
But a transition in lifestyles relates not only to physical well-being but also to mental well-being. Florence Gaub sees a scenario where there is a change to a knowledge economy, where innovation and ideas, rather than industrial production, will be essential. Such a change would open the path to a knowledge society where human well-being is no longer defined by income and possession, but by mental well-being and social connectivity.

**A green economy is a good economy**

Summarising, both the 2019 ESPAS report and Florence Gaub's May 2020 video send a clear and plausible message. Both the private and the public sector must do what they can to work towards a climate neutral economy that is powered by renewable energy sources. In addition, we must protect nature to secure the remaining biodiversity and use production techniques that are the least taxing for the environment. Greenhouse gas emissions must be minimised. As individuals, we must take responsibility and radically change our consumption patterns and behaviour. And appreciate each other for what we are instead of what we have. The future starts with you!
New ECA Members

Auditing for the sake of EU values

Interview with Joëlle Elvinger, ECA Member, since 1 January 2020

By Gaston Moonen

On 1 January 2020, Joëlle Elvinger succeeded Henri Grethen as the ECA Member from Luxembourg. While she has now been in office for over five months, her actual time in the office has been about half of that, thanks to the Covid-19 pandemic. Joëlle Elvinger has a varied background: she has served in both the executive branch of local politics (as mayor and deputy mayor) and the legislative branch of national politics (as a Member of Parliament), but she has also worked as a lawyer in the private sector in Luxembourg. With this background, she is keen to take up new tasks in areas which the ECA has not tread on before. She also believes the ECA has a key role to play to show to the larger public on which values the EU project has been built.

Professional multi-tasking from day one

The name Elvinger is well known among lawyers and legal specialists in Luxembourg, and Joëlle Elvinger has contributed to this. After studying law in France and the UK, she worked for two law firms in Luxembourg. Then, after a few years, she decided to start her own law firm. ‘It was my entrepreneurial spirit!’ She also passed the notary exam after being admitted to the Luxembourg Bar.

Although she was working in the private sector, Joëlle Elvinger got involved in politics soon after she finished her legal studies. ‘I was elected as member of the municipal council of Walferdange in October 2005, and in 2009 I decided it was better to combine my political activities with having my own law practice.’ In 2013 she became a Member of Parliament in Luxembourg, a position she would keep until becoming an ECA Member. ‘At that time I had also been the deputy mayor of Walferdange since 2011. When I became a Member of Parliament I decided to close all my legal files, concentrating instead on my political duties at the local and national levels.’

Joëlle Elvinger remained deputy mayor, and became the mayor of Walferdange in 2016, combining this with her parliamentary duties, until she stepped down as mayor in November 2017. She never considered this a problem. On the contrary: ‘I believe it is a good thing, because in municipalities you are working closer to the people – on
the ground, so to speak – whereas in the parliament you are working on legislation which often relates to these municipalities.’ She explains that sharing this combined experience can be useful. ‘It is a gain for the parliament as well, because you can bring experiences from the local level to the national level.’ Several of the colleagues she had in the parliament also occupied the same position, also serving as mayors or deputy mayors.

With her legal interests and political experience, Joëlle Elvinger saw working for a European institution as an attractive option. ‘I am a convinced European, and I have always been interested in European law and issues related to the EU. I had already considered joining a European institution. Becoming an ECA Member was a unique opportunity for me, after my years in parliament. I was a Member of Parliament for six years. I could probably have continued, but I knew I did not want to spend the rest of my working life in parliament. Politics is very challenging, not only from a professional but also from a private perspective.’

In her recent past, the new ECA Member accompanied a number of important laws ratified by the Luxembourg parliament during the last years, including laws on the budget and on tax reform. ‘As a politician, you need to be a generalist, but people still expect you to know all topics in depth. Personally, I like topics where you can really go into depth, such as the budget and tax reform, and that is what we have here at the ECA as well. You have tasks, audits, for which you really need to go into detail. Together with the audit team, you get to know the topic from the beginning to the end. In politics, you often do not have enough time to study all subjects in that depth.’

**Dealing with topics that concern people directly – also as an ECA Member**

As soon as Joëlle Elvinger started her mandate, she resigned from all side activities she had been carrying out while she was still in politics. ‘I did that to prevent any appearance of a conflict of interest. It was particularly difficult to say goodbye to non-profit organisations, since there is always a lack of people engaging. But it is essential to be completely independent, even though these organisations I was active for did not benefit from EU funds.’ Likewise, she will not be involved in any political activities, at any level. ‘As an ECA Member you cannot be involved in politics any more. We have to lead by example and not be linked to any political party or any government, and we must treat every Member State in the same way.’

Joëlle Elvinger clearly has good memories of her swearing-in ceremony at the Court of Justice of the European Union, on 13 February 2020. ‘It is very formal, as is to be expected. But as a lawyer, just shortly after I had resigned from the Luxembourg bar, it was a nice experience to be in front of the European Court of Justice.’

Soon after she began her mandate at the ECA, the new Member from Luxembourg started to work in the ‘Sustainable Use of Natural Resources’ audit chamber. While this chamber deals with rather different policies than those that she focused on while serving in parliament, this is exactly what she wanted. ‘I think it is a good thing to change. And the topics dealt with in this audit chamber – climate change, public health, agriculture, water, clean air – are issues that people are really concerned about.’

**Working in and with Covid-19 conditions**

As an ECA Member, Joëlle Elvinger will be the reporting Member for audits on the sustainable use of water in agriculture and e-waste, as well as for a follow-up review on tracking the European Commission’s climate spending. But the Covid-19 crisis has changed things: it has brought with it additional tasks. Joëlle Elvinger has also taken on the review on the EU’s public health response to the pandemic as reporting Member.
The crisis has also changed the ECA’s working methods. ‘Like for many of us, also for the ECA, in mid-March this year big changes occurred. From one day we needed to significantly change the way we live, work, and connect to each other.’ She explains that the ECA met the challenge by starting to use new working methods: home working, interaction with colleagues and auditees through videoconferences, webinars, and written procedures for decision-making. ‘On the personal side, the lockdown put many of us into a demanding situation. Some of us found themselves suddenly alone at home and others, while working, needed to respond more intensively to the needs of their family.’

Overall, Joëlle Elvinger is quite positive about how the ECA has handled the lockdown situation and continued its work. ‘For example, in our audit chamber in the two months since the lockdown, we have discussed and adopted four audit planning documents, three draft reports and a chapter for our annual report. I do not think we could have done more if we had been physically present on the ECA’s premises.’ She adds that virtual coffees and virtual informal meetings of the Court are being held, which helps to continue social interaction.

She has also been able to make good progress on her own reporting tasks. ‘I presented to our audit chamber an audit planning document on the sustainable use of water in agriculture. Our task regarding tracking climate spending, which had a very tight schedule already before the lockdown, progressed as planned. Preparatory work for her task on e-waste has also progressed as expected. ‘This would not have been possible without the dedicated work of our audit teams.’

Joëlle Elvinger also believes that the experiences with the lockdown conditions will change the way in which the ECA works. ‘Regular webinars, intensive discussions through videoconferences and virtual coffees should remain a regular part of our life, even after the pandemic is over.’ One consequence of the lockdown and closed borders has been that the ECA’s auditors cannot travel to perform audit work on the spot as they did before. ‘This has made it necessary to find new ways to obtain audit evidence. In the longer term, these innovations should also have an impact on the way we audit.’

The Covid-19 crisis also brought new topics to audit. ‘As College we decided to revise our 2020 work programme to include two new tasks on the EU’s response to the pandemic: the EU’s public health response and its economic policy response. I took on our audit task on the EU’s public health response as reporting Member, and I am looking forward to getting into the subject matter.’ She explains that it is very likely that other Covid-19 related issues will end up in the ECA’s 2021 work programme, which is currently being prepared.

While every situation has its own characteristics, Joëlle Elvinger is used to dealing with new circumstances and requirements. As a Member of Parliament, she was involved in several reforms, including the 2016 tax reform. ‘It was a well-balanced tax reform which was coherent with the 21st century: it adapted the tax system to our new family models, taking single parents into consideration and treating couples in the same way whether they are married or not. It was also a social tax reform: for example, it doubled tax credits for workers, and people in the lower tax brackets really benefited from that. It also reduced corporate taxes.’
Connecting to the EU’s younger citizens

Joëlle Elvinger sees an important role for herself in how the ECA communicates its findings and recommendations. ‘For me teamwork is very important, both in my private office and within audit teams. And I really like to listen to people’s ideas.’ Once those ideas are on the table, she sees the role of the reporting Member, who has overall responsibility for the audit, as being that of a final decision-maker. ‘After publication, communication and the presentation of the report to our stakeholders and to the media is very important. I see that in our audit chamber we have many reports that are interesting also for national parliaments, and I think it would be good if some of these reports were presented there as well, perhaps by the reporting Members themselves.’

As former Member of Parliament, she sets great store by good relationships with national parliaments. The same goes for the relationship with national audit offices. ‘The relationship between my predecessors and the Luxembourgish Court of Auditors has been very good, and I will continue this. I am hopeful that there will be good collaboration on different audit issues, but also when it comes to training opportunities.’

When discussing her key objectives to work on during her mandate as an ECA Member, Joëlle Elvinger believes it is essential to identify audit topics that will help to improve EU’s financial management and address issues that interest EU citizens. ‘And here we touch upon the communication aspect again. Another challenge, not only for the ECA but also for other institutions and private companies, is digitalisation: we will have to work on that. The Covid-19 crisis might accelerate this process. Another topic we will have to make further progress on is the reform of our compliance audit work – digitalisation will play a role here too.’

On communication, Joëlle Elvinger makes it clear that she is keen to contribute to getting ECA findings across to the wider public using various means available, including social media, which she also used when she was a parliamentarian. ‘If we want to explain the work of the ECA to younger people, we will have to use social media, because they might not read a newspaper every day. If we want people to gain trust in the EU, and to explain what we are doing, what the EU is doing – for better or for worse – we have to explain this also through social media.’ She underlines that this is also important for the auditors contributing to the reports: ‘Our people put too much work into it for us not to use every possible means at our disposal for our communications work.’

Joëlle Elvinger understands very well that the subject matter of many ECA reports, particularly related to finance and budgetary issues, might not always interest the younger generation. ‘But we should try to present these reports as part of the whole picture of the EU and its institutions, and also communicate through EU values. We need to make it clear to the next generations that the EU does not just mean constraints. We need to emphasise that it also means peace, health aspects, consumer protection, migration, and a level playing field in the financial sector. We have to explain what is happening with the EU budget and what values are related to it, promoting accountability and transparency and thereby fostering trust in EU finances and activities.’
The Covid-19 pandemic struck the EU and its Member States in March 2020. Apart from the immediate public health crisis, the lockdown measures that were imposed on citizens and businesses to a differing degree across all Member States have profoundly changed the way we live and work. For the activities of the ECA, the crisis also had a direct effect: from mid-March 2020 onwards, the ECA went into remote work mode. ECA President Klaus-Heiner Lehne shares his views on how the ECA and its staff have been dealing with these unprecedented challenges so far.

**Our main concern during the Covid-19 crisis: the health of our staff**

The ongoing public health crisis has changed the lives of most of us dramatically. Apart from the worry about the wellbeing of family, friends and colleagues, the pandemic has put the focus on what matters most in life and how easily we can take things for granted. Our thoughts go to the suffering of people and the indescribable situations which have occurred and continue to occur in hospitals and care homes in some parts of Europe and beyond. In addition, there is the social and economic impact of the crisis, which will have a long-term effect on many people in various parts of society.

For the activities of the ECA, the crisis also had a direct effect: from 16 March 2020 onwards, the College and all staff went into remote work mode, to minimise the risk of infection as far as possible. Fortunately, the number of staff members who were infected with Covid-19 has remained very limited so far and, fortunately, all have recovered fully.

**Ensuring business continuity: for audit and beyond**

Similarly, we managed to ensure the business continuity of our operations, even in these difficult circumstances. We activated the ECA’s Business Continuity Plan, which allowed us to take the necessary swift action, in line with the instructions of the Luxembourg authorities and together with the other EU Institutions based here in Luxembourg.

This crisis confirmed once more how important our investments in IT tools, digitalisation and remote working throughout the last years were. In particular, within a few days in mid-March 2020 we successfully transitioned around 950 staff to 100% remote working.
In normal circumstances, our auditors travel around in the EU and beyond to check how EU policies and programmes are implemented and how the EU’s money is spent. During the Covid-19 crisis, this has no longer been possible. We need to anticipate that some travel restrictions will continue to apply for some time, but at least within the EU there is hope that all borders will be open again in the near future. Nevertheless, we must remain cautious: what matters most is the health of our staff.

We also adopted specific procedures which allowed us to take decisions remotely. Members, senior management and audit teams kept in touch regularly. Also with our auditees, in the other EU institutions as well as in the Member States, all exchanges now take place through videoconferences. For the moment, this is also how we present our work at the European Parliament and the Council.

**Communicating in times of crisis**

During the first weeks of the Covid-19 crisis we had decided to adjust our communication policy; we stopped all publications and almost all social media activities. In mid-April we decided to resume publication of our audit reports by presenting, on 15 April 2020, our opinion 3/2020 on amending EU regulations on the use of the European Structural and Investments Funds in response to the Covid-19 outbreak, followed the next day by special report 7/2020 relating to the cost of implementing cohesion policy. Since then, we have published almost a dozen reports. The social media activities are to be resumed during the month of June.

**Making our work programme Covid-19 responsive**

In May 2020, we also revised our 2020 work programme to include an emphasis on Covid-19-related aspects: we have adjusted the scope, approach and timing of a number of ongoing tasks and, in addition, decided to discontinue some tasks initially planned to start in 2020. Moreover, we added two new reviews to the programme: one on the EU’s contribution to public health and another on its economic policy response to the coronavirus pandemic. The aim of both reviews is to contribute to public discussion on how the EU and its Member States have dealt with the effects of the pandemic. In addition, they will contribute to the lessons-learned exercise and the debate on the role of the EU and its bodies during this and any future crisis.

**Upholding EU values and principles during the pandemic**

They say a crisis brings out the worst and the best in people. I would say that this crisis has brought out the best in the people working for the ECA. Despite all the difficulties, despite occasional confusion and uncertainty, everyone is striving to find solutions to enable our work – and our collegial decision-making – to continue. I am proud to work for an institution where people have such a sense of solidarity. When the immediate public health crisis subsides, its economic and social aftermath will continue to pose unprecedented challenges for the Union, and we will have to make our contribution to addressing these: by promoting greater accountability and transparency in the European Union, and, through this, enhancing citizens’ trust in the EU institutions working on their behalf.

In the midst of this ongoing and unprecedented crisis, the European Union is going to have to redefine its role and so, naturally, will its institutions. This is also illustrated by the revised proposal for the 2021-2027 MFF that the Commission presented at the end of May, at the request of the European Council and the European Parliament. The political decisions in the coming weeks and months on this MFF, but also on other aspects, will shape our world decisively for the years to come - let us try to ensure that they are taken in full respect of our common European values and principles. You can rest assured that the ECA will continue to play its role as the EU’s external auditor and to uphold the EU’s values and principles.
High-level exchanges during the first Croatian Council Presidency

By Tea Japunčić, private office of Ivana Maletić, ECA Member

During the first half of 2020, Croatia is holding its first Council Presidency. On 3 and 4 February 2020, ECA President Klaus-Heiner Lehne, together with ECA Members Ivana Maletić and Rimantas Šadžius, visited Croatia to exchange views on current EU topics with the Croatian Council Presidency and representatives of several national authorities. In addition, Klaus-Heiner Lehne and Ivana Maletić participated in a high-level conference on the new Multiannual Financial Framework (MFF). Tea Japunčić, Assistant in the private office of Ivana Maletić, provides some insights and impressions.

The Croatian Council Presidency and cooperation with the ECA

On the first day, ECA President Klaus-Heiner Lehne and ECA Members Ivana Maletić and Rimantas Šadžius met with the Prime Minister of Croatia Andrej Plenković, the Croatian Minister of Foreign and European Affairs Gordan Grlić-Radman, the Minister of Regional Development and EU Funds Marko Pavić, and the Minister of Finance Zdravko Marić. The discussions focused on the priorities of the Croatian Presidency, namely a ‘Europe that develops, connects, protects and is influential’ and the EU budget for the period 2021 – 2027, as well as the on-going and planned work of the ECA in that context. ECA President Klaus-Heiner Lehne pointed out that the Croatian Presidency comes at an important crossroad in time and that the ECA, through its work, would be available to support the Presidency in its challenging tasks.

The delegation also visited the Croatian Parliament and attended a meeting with its Vice President Željko Reiner, as well as representatives of the Committee on European Affairs and the Committee on Finance and the State Budget. They exchanged views on the ECA’s role and discussed the priorities of the new MFF. The delegation also took the opportunity to draw attention to recent ECA publications in that context, especially the opinions and briefing papers on the Commission’s proposal for the MFF 2021 – 2027.
The Croatian Council Presidency and cooperation with the ECA

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High-level exchanges during the first Croatian Council Presidency

From left to right: Vice President of the Croatian Parliament Željko Reiner, ECA Member Ivana Maletić, ECA President Klaus-Heiner Lehne and ECA Member Rimantas Šadžius

High-level conference on the new MFF

On the second day, the ECA delegation attended the high-level conference, *The Challenges of Adopting the New Multiannual Financial Framework (MFF) 2021 - 2027 and the Position of Cohesion Policy in the New Budget*. ECA President Klaus-Heiner Lehne was the keynote speaker at the conference, together with the Croatian Prime Minister Andrej Plenković, who was also a panellist in the subsequent discussion, together with ECA Member Ivana Maletić.

The conference offered a platform for an exchange of ideas between renowned experts from Croatian institutions, the ECA, and other public and private stakeholders in Croatia, with a specific focus on cohesion policy in the proposed new EU budget. Ivana Maletić recalled that ‘we should not lose sight of the objective of cohesion as defined in the Treaty - reducing disparities between regions. How to achieve this objective in times of scarce resources is an important task for the Croatian Presidency.’

The ECA visit in the Croatian media

The two-day visit to Croatia was very well covered by the media, as Croatia is holding the Council Presidency for the first time. Klaus-Heiner Lehne was a special guest on the prime-time TV show *Tema dana* on Croatian national television and gave an interview for the daily newspaper *Jutarnji list*. Ivana Maletić gave an interview for the morning show *U mreži prvog* on Croatian national radio, where she discussed the new MFF proposal, together with the Minister of Regional Development and EU Funds Marko Pavić.
High-level exchanges during the first Croatian Council Presidency

ECA President Klaus-Heiner Lehne on the prime-time TV show Tema dana on Channel 1 of Croatian national television

ECA Member Ivana Maletić and the Minister of Regional Development and EU Funds Marko Pavić on the morning radio show U mreži prvog

Meeting with the Minister of Regional Development and EU Funds Mr Pavić

ECA President Klaus-Heiner Lehne’s interview in the Croatian daily newspapers Jutarnji list

Conference on the challenges of adopting the new MFF and the position of the cohesion policy in the new budget
Dubravka Šuica, Vice-President of the European Commission, visits the ECA to discuss the forthcoming ‘Conference on the Future of Europe’

By Sandra Diering, private office of Ivana Maletić, ECA Member

On 11 March 2020, just before the ECA went into full teleworking mode, Dubravka Šuica, Vice-President of the European Commission, visited the ECA. She met ECA President Klaus-Heiner Lehne and several ECA Members. Sandra Diering, Head of ECA Member Ivana Maletić’s private office, provides more information on the visit.

Conference on the Future of Europe

On 11 March 2020 Dubravka Šuica, Vice-President of the European Commission, visited the ECA, where she had an exchange of views with President Klaus-Heiner Lehne and other ECA Members. The main topics discussed were demographic challenges in the EU, the importance of democracy and, in particular, the ‘Conference on the Future of Europe’.

The Conference on the Future of Europe is an initiative of the European Commission in cooperation with the European Parliament and the Council with the objective of giving EU citizens a say on the work of the European Union and the way it could serve them best. The Conference will be a structured public debate, including citizens from all over Europe, civil society, the European institutions and other European bodies, as well as national, regional and local authorities, parliaments and other stakeholders. Dubravka Šuica, who is leading the Commission’s work on it, pointed out that the Conference on the Future of Europe is a unique opportunity to reflect with citizens, listen to them and engage with them, thereby showing that their voice counts.
Dubravka Šuica, Vice-President of the European Commission, visits the ECA to discuss the forthcoming ‘Conference on the Future of Europe’

The ECA will contribute as an observer

The preparation of the ‘Conference on the Future of Europe’ and the role the ECA could play in it had already been discussed at a previous meeting between Vice-President Šuica, President Lehne and Ivana Maletić in February 2020. During Vice-President Šuica’s visit to the ECA in March, the College welcomed the ‘Conference on the Future of Europe’ and confirmed the ECA’s availability to contribute to it as an observer.

Initially, it was planned to launch the Conference officially in Dubrovnik on 9 May 2020, also known as ‘Europe Day’. Obviously, in March 2020 this plan had to be changed due to the Covid-19 pandemic, and a new official start day has yet to be decided. Nevertheless, in the light of the current crisis, it is already clear that this conference has become more important than ever. It will be an opportunity to improve the way the EU works and to ensure, together, that we are prepared for whatever the future may hold for Europe and for all of us as EU citizens.
The long and stony road to a PhD – doing a research project on governance structure in cohesion policy

By Marcel Bode, Investment for Cohesion, Growth and Inclusion Directorate

Doing a PhD – a once-in-a-lifetime experience

‘To become a PhD you need to have stamina,’ I have been told. ‘It is a long, burdensome process, full of privations,’ I have read. I can only confirm both of these statements. But one of my previous professors at university also claimed that one cannot get a PhD after turning forty. I must object. Because I proved the opposite!

In December 2019, I successfully defended my PhD dissertation and thus completed my doctoral studies. It marked the end of a long journey in my life that started more than a decade ago. Actually, since I graduated from university, it had been my ambition to continue my academic education and to get a PhD. Well, in reality it proved that it was not easy to find a proper and workable structure to combine professional life, private life and, on top of that, to go for a doctoral programme. However, I felt dedicated to research and academic work. I therefore kept looking for ways to get it done and published articles in international journals, hoping that this work would pay off at a later stage. Finally, I found a university and a supervising professor, who was interested in my research proposal. Over time, many other ideas from various researchers and committees added to this initial proposal and all these different thoughts contributed to the doctoral research and enhanced the quality of the ‘final’ dissertation.

But time passes by so fast! Once the dissertation was submitted for appraisal, new facts and literature popped up. In order not to publish outdated research results, I was forced to update the main parts of the work, which I did until the defence of the dissertation. In December 2019 I made a cut-off and initiated the publication of my updated research work, which was published as a book at the end of January 2020.

Would I do it again? Maybe, but I am not sure, because there is no doubt: it was a very exhausting period of my life. Many things happened in between, such as changes in my professional environment, changes of residence and, of course, private obligations. The time you can dedicate to ‘voluntary’ things such as doctoral studies seems to decrease with every year you add to your life. Which means it gets more and more difficult to get it done.
Additionally, at the beginning, you do not know all the numerous small and cumbersome steps you need to take in order to finally hold that PhD degree in your hands. With all the knowledge I have acquired from my PhD experience, I dare to say that I have become wiser, and not only in academic terms.

**Evolving functions of the Member States’ audit authorities**

So, what was the research project about? In a nutshell, it deals with governance structure in the area of cohesion policy and puts the spotlight on the incorporation of national audit authorities in the management and control system. The scientific research on the management and control systems in cohesion policy - with special focus on audit authorities - is not very well developed. There are not many research papers on it. This study is the first one that investigates the evolution of the functions and responsibilities of audit authorities from their beginnings and provides a comprehensive overview of this field. The results of this dissertation can therefore provide valuable input to the scientific debate.

The management and control systems of the cohesion policy programmes vary significantly among Member States, taking account of national administrative structures, practices and procedures, but also regional competitiveness and employment objectives. Member States might use the results of my research to decide how they will structure audit work and to which entity they will entrust the audit function. Additionally, it may contribute to better planning of the financial and human resources needed to implement and audit these programmes. The audit authorities might use my study results to formulate a sound audit strategy and to properly plan their audit work. This research might also feed into the legislative discussion for future legislative proposals and amendments to the current ones.

My efforts were made possible thanks to the support and advice of various people. In particular, I would like to thank my ECA colleagues for their valuable remarks and fruitful discussions on the topic of this dissertation. Moreover, it was very helpful to be able to resort to my institution’s resources. My special thanks go to my previous director, Martin Weber, who was a sounding-board for my efforts as I strove for publication and, finally, to complete the doctoral programme. In addition, my current director, Gerhard Ross provided me with all the support possible.

Since I am working in in the ECA audit chamber which deals with cohesion policy, my doctoral studies clearly helped me to deepen my knowledge. It allowed me to acquire a more fundamental and theoretical insight into this policy field, which I hope to apply in my future work as an auditor at the ECA.

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**Box 1 - Extract from the research project on national audit authorities’ tasks in the EU’s cohesion policy**

The European Union's cohesion policy plays a key role in reducing development disparities between regions in the EU in order to increase economic, social and territorial cohesion. Cohesion policy in the EU is planned and implemented within a multilevel governance structure, embracing a wide range of stakeholders. Although the European Commission retains ultimate responsibility for implementing the EU budget, actual management and control of EU funds and programmes is delegated to the Member States' authorities. The upshot is a decentralised delivery system with decentralised audit and control bodies. For the 2007-2013 programming period, a formal three-level control structure was introduced at national level for the first time, with the audit authority as the first 'independent' audit layer.

The research subject of the dissertation is the functions and responsibilities of the national audit authorities in the framework of the EU's cohesion policy and their effects on the level of assurance with regard to EU spending in this area. The thesis examines the developments of the tasks entrusted to the audit authorities, conducts comparative analyses of them between 2007-2013, the 2014-2020 and the post 2020 programming periods and links these results to changes in irregular spending. The main objective of the dissertation is to conclude on whether the evolution of the responsibilities of the audit authorities contributed towards a more robust management and control system for the delivery of cohesion policy.
Communicating in times of crisis – the ECA’s experience during the Covid-19 pandemic

By Damijan Fišer and Fabrice Mercade, Directorate of the Presidency

Reaching out

How has the Covid-19 crisis changed our communication?

While each crisis differs, there is one common thread: an increased need for communication; communication with our own staff, of course, but also with external counterparts and institutional stakeholders, as well as with the media. While managing communication is already challenging under ‘normal’ circumstances, it becomes a very hard task in times of crisis. By its very nature, a crisis such as the one we have experienced over the last few months disrupts ‘normal’ business.

Overnight, it became impossible to meet audit teams at the office to discuss matters such as communication strategies, press release content and planning and social media activities. Overnight, it became impossible to do traditional public relations work, shaking hands and talking to EU correspondents at press briefings in Brussels or elsewhere. Overnight, it became impossible to stick to our initial communication planning for 2020, because the crisis also impacted the timeline for many of our audit reports. Overnight, it became impossible to ‘compete’ on the European media landscape as we usually do.

All over Europe, the Covid-19 crisis has drawn almost exclusive media attention for the last three months. Do you remember having read a non-Covid-19-related news item in recent months? Most probably not. If by any chance you do remember one, it is precisely because this was exceptional. In such circumstances, it becomes rather difficult to get our messages across. And yet, we have things to say. We therefore needed to adapt our media relations practices to make our messages heard.

The ECA meeting media representatives at the International Press Center in Brussels under ‘normal’ circumstances
Communicating in times of crisis – the ECA’s experience during the Covid-19 pandemic

How have we adapted our media relations?

Like many other public organisations and private-sector businesses, the first challenge we had to overcome was carrying on working after our entire staff was suddenly sent home. We succeeded in moving 100% of our operations online within a few hours. Since then, we have been doing our work remotely – including decision-making, interaction with auditees and of course communication – without any major disturbance.

Reacting efficiently and effectively has been the key imperative for our team. We have kept the media constantly informed on the measures taken by the ECA in response to the Covid-19 pandemic. We have tried to do this with humility and full transparency, avoiding the trap of ‘overdoing’ it. We have also thoroughly analysed how to adjust our communication activities and products to these new circumstances. In mid-March 2020, during the initial phase of the Covid-19 crisis, we decided to temporarily stop all publications and significantly reduce our activities on social media. As of mid-April 2020, we started publishing reports again under a modified schedule. Throughout June, we are gradually resuming our activities on social media.

Being responsive to Covid-19

Communication in times of a crisis must be particularly agile. A key success factor for us has been ensuring that our audit work is responsive to Covid-19. Our first opportunity to do this was our opinion 3/2020 on the European Commission’s proposal for exceptional flexibility in the use of the European Structural and Investments Funds to combat the effects of Covid-19. In addition, whenever possible, communication angles for audit reports have been adapted to address specific Covid-19 related aspects. This has helped maintain media coverage despite very unfavourable circumstances.

Another example is the way we communicated the revision of our 2020 work programme in light of Covid-19: in May 2020, our auditors reviewed all ongoing tasks, adjusting their approach and timeline where appropriate to take account of the changed and changing circumstances. The ECA’s Members also decided to discontinue four tasks and, at the same time, added two reviews with a specific focus on the Covid-19 crisis. In communicating this change to our work programme, we particularly focused on the message that the ECA – through these audits and reviews – wanted to contribute to public discussion on how well the EU and its Member States had dealt with the effects of the pandemic. We have also received requests for other Covid-19 related opinions, which we will address in the coming weeks.

New ways of communicating with press, stakeholders and the public during lockdown: virtual briefings and podcasts

Before the crisis struck, we held our press briefings mainly in the Brussels International Press Centre. During the crisis, the only way to stay in contact with the press corps in Brussels – our regular clients and usual suspects – was through technology. Journalists themselves have been working from home, and press briefings by the EU institutions have taken place in virtual settings. They will surely appreciate a return to real ‘newsrooms’ when conditions allow it. In the meantime, following Winston Churchill’s famous advice to ‘never let a good crisis go to waste’, we have used this period to pilot virtual press briefings.

Adjusting to the health and security conditions for our own staff and journalists across the EU, these briefings offer an effective and innovative way of literally ‘saving face’ with our press contacts. They also allow us to extend our audience beyond the ‘Brussels bubble’ and into the Member States. We have opted to conduct these briefings via the Microsoft Teams videoconferencing tool, just as we do with our webinars.

We held our first virtual press briefings in early June, on the occasion of World Environment Day, when we published our timely special report 13/2020 on biodiversity. The panel on our ‘home team’ featured Viorel Ştefan, the ECA Reporting Member, Peter Welch, Director of our Sustainable Use of Natural Resources directorate, which deals with agriculture and the environment, and Jan Huth, the audit task leader. On
Communicating in times of crisis – the ECA’s experience during the Covid-19 pandemic

the ‘away team’, we faced 18 journalists from places as far and wide as Paris, Berlin and Dublin, as well as the EU correspondents in Brussels. The ensuing media coverage in some of the continent’s largest media outlets (Le Monde, sector-specific press (Journal d’Environnement, Top Agrar), Brussels-based media (Politico, EurActiv, EU Observer) and the Member States visited (Cyprus, Germany, Ireland, Poland and Romania) has been significant. It has helped to raise the report’s profile among our institutional and non-institutional stakeholders – and helped extend the debate to the places where it matters.

ECA Member Viorel Ștefan responding to questions from journalists on 5 June 2020

Following the successful press briefing, we held a virtual stakeholders meeting with targeted stakeholders, ranging from Montreal’s UN Conference on Biodiversity to London’s Institute for European Environmental Policy, and from Brussels-based organisation Birdlife Europe to participants from Helsinki and Bratislava. Through these meetings, the ECA is aiming to reach out beyond our standard institutional interlocutors (the European Parliament, the Council and the Commission), to which we present our reports before and after publication, to non-institutional stakeholders such as think tanks, NGOs and industry associations. These briefings have successfully paved the way for future digital briefings with the press and stakeholders, allowing us to engage with broader audiences from Member States.

What other new things are we trying out during the crisis? Introducing the podECAst project…

Videoconference connections do not always provide optimal sound quality for radio broadcasts. In addition, we would like to further tap into our audience in the Member States. What better way to kill two birds with one stone than a podcast-type audio resource, which can be used by radio stations and tuned into by listeners across the EU.

Our special report 10/2020 on high-profile transport megaprojects in the Member States lends itself perfectly to this novel product, which we aspire to make as entertaining as it is enterprising. The audit looked at eight billion-euro transport megaprojects in 13 Member States: four railways (Rail Baltica, Lyon-Turin, the Brenner Base Tunnel and the Basque Y), one waterway (Seine-Scheldt), one motorway (the A1 in Romania) and two multimodal connections (Fehmarn Belt road/rail link and E59 rail link to ports in Poland) – each costing over €1 billion and expected to deliver considerable socio-economic benefits.

We set out to produce one master podcast for each of these projects, accompanied by a version in each of the relevant languages for the project concerned. Hence, we produced the podcast on the Lyon-Turin tunnel in English, French and Italian. For the Rail Baltica project, we added the three Baltic languages, as well as Finnish and Polish for the Member States connected to the north and west. This was no easy task, given that we had little prior experience with radio recordings. However, eager to provide useful audio resources during these times of crisis, we engaged our colleagues beyond the communications team. They gave us more than just a helping hand, even lending their voices as speakers, which gave both the process and product a ‘real-life auditor’ element. This, in a nutshell, is how the ECA’s podcast project came about, ‘from the EU auditors to the EU listeners’. We call it podECAst. You can listen to it on our website and across our social media channels.
Our internal communication also needed to adjust to the changed circumstances. Fortunately, the ECA had just renewed its internal communication platform. Shortly after we started working remotely, we started posting various messages on our intranet, such as information on Covid-19 related measures, messages of support from our ‘ECA strengths network,’ or social initiatives taken by ECA staff to communicate or connect ‘at a distance’. There have also been daily messages from our Secretary-General, updating all staff members on internal and external developments.

Another example is our professional training team. With the new ‘virtual reality’, it quickly became obvious that the traditional formula of 6-hour-per-day courses could no longer be used. The Covid-19 measures meant cancelling all courses and presentations between mid-March and September 2020 - more than 100 training activities in total. The ECA’s professional training team engaged our network of trainers, contacted potential speakers and brainstormed for new topics. Webinars have become our new bread and butter: these short, punchy snapshots, providing a quick and powerful encounter, give people the chance to learn new things, interact with the speaker and each other, voice their concerns, criticise, feel connected, and more. Speakers connected with ECA staff from, for example, Brussels, Zurich, Milan, Bern, Paris and Luxembourg, using the tools offered by new technologies. Never before has the ECA harnessed its huge potential for innovation in this way, and rarely have we so cherished these interactions with experts from all over Europe. If this crisis has taught us anything, it is that communication has no boundaries and that, from now on, we can be even bolder in connecting with the outside world.

**What does the Covid-19 crisis mean for the future of our communication?**

The crisis required an agile and flexible response from us. But at the same time it also encourages us to think long-term. The word ‘crisis’ is often used to refer to times of difficulty and insecurity. More originally, however, it means ‘a vitally important or decisive stage in the progress of anything’, ‘a turning point’ or ‘a state of affairs in which a decisive change is imminent’. From this perspective, the Covid-19 crisis offers an opportunity to reflect on how our communication should evolve in the coming years. We need to assess carefully how we have dealt with this very particular situation and what we can learn from this to apply once we return to ‘normality’. A crisis can offer the chance to consider all options and points of view. Luckily, we are in the process of defining a meaningful strategy for the years to come. This should turn the crisis into an opportunity: an opportunity for the ECA to set the stage for even more efficient communication of its products and key messages in the ‘post-Covid-19 crisis’ period.
Since 2010, the ECA has awarded an academic prize for research in public audit on a biennial basis. In April 2020, it launched its 6th edition, calling for submissions for this year’s ECA Award, dedicated to Marcel Mart, a former ECA President. Mihails Kozlovs, ECA Member and Chair of the 2020 ECA Award Selection Panel, explains the ECA Award and its theme.

Instigating exchanges between audit practitioners and researchers in public audit

The ECA is committed to being at the forefront of public sector auditing, both in the EU and worldwide. One of the means of demonstrating our commitment is further developing active links with the academic community, and thus benefiting from the wealth of knowledge which scholars and researchers of all disciplines are creating through their intellectual work on prospects and challenges related to budgetary management, government spending and revenues, auditing and financial accountability in the European Union.
For the ECA it is essential to develop a mutually beneficial relationship with academic researchers. In other words, the audit profession and research must advance hand-in-hand. With this goal in mind, in 2010 the ECA established the biennial ‘European Court of Auditors Award’ with the aim of providing an incentive and recognition for research on public audit-related issues. Each edition pays tribute to a person who has actively contributed to the reputation of the ECA as an EU institution. The 2020 ECA Award, as the sixth edition, will pay tribute to the memory of Marcel Mart (1927-2019), the first ECA Member from Luxembourg (1977-1989) and ECA President (1984-1989).

**2020 ECA Award with the theme ‘EU added value’**

This edition is new as, for the first time, the 2020 ECA Award will have a thematic focus. The theme of the 2020 edition will be: ‘EU added value,’ a topic directly related to the ECA’s work. The ECA has defined EU added value as the value that an EU action adds through EU policy, regulation, legal instruments and spending, over and above the value created by Member States acting alone.

This implies that an EU action *inter alia*:

- should be taken only if more effective than action taken at national, regional or local level;
- should not go beyond what is necessary to achieve the objectives of the Treaties;
- definitely should achieve clear additional benefits from a collective effort and it should exceed those that would have been realised in the absence of public expenditure; and
- should be consistent with and complementary to other EU and national programmes, with a view to achieving synergetic effects and avoiding duplications.

**EU added value – more important than ever in times of crisis**

Since its establishment, the ECA has been reporting on the performance of EU policies and spending, thus increasing the attention paid to the added value that EU action is expected to deliver. We have argued that the concept of EU added value is necessary not only to allocate resources but also to design and evaluate spending programmes and policies. It is also important to underline that with limited EU budget resources we have to be really critical as to which programmes perform better and provide greater EU added value, and prioritise those.

This year’s award is being launched at a moment when public health and the economies in the EU and its Member States are facing unprecedented challenges due to the Covid-19 pandemic. Our contribution as auditors to the various aspects of the aftermath of the crisis will be a very significant one.

At the same time, by focusing the 2020 edition on the theme of EU added value, the ECA intends to reaffirm that the researchers’ contribution to the debate is crucial, and that a more systematic analysis of actual and potential EU added value should be fostered both in the Member States and at EU level.

**2020 ECA Award – potential applicants**

The ECA Award is addressed to European academics and researchers for peer-reviewed academic publications (articles, papers), books and theses on theoretical or empirical studies related to public sector auditing, in particular within a European Union context. The Award is open to:

- researchers and scholars, for a publication (article, paper, in a peer-reviewed academic journal or book) which must have been published on or after 1 January 2016, and
- postgraduates who have written a Master’s thesis or a PhD thesis. The viva examination must have taken place on or after 1 January 2016.

To be eligible to apply for this ECA Award, candidates must be nationals of an EU Member State or have completed their thesis at a university in an EU Member State. The Master’s or PhD thesis must not have been submitted for any previous edition of the ECA Award. Current or former Members or staff of the ECA, or any other EU institution or body, are not eligible for this award.

**Deadline for applications: 30 June 2020**

For further details, please contact: eca-award@eca.europa.eu
Greater use of new imaging technologies needed

The European Commission has promoted the uptake of new imaging technologies in agrimonitoring, but a number of obstacles to their more widespread use remain, according to a new report from the European Court of Auditors. Technologies such as the EU’s Copernicus Sentinel satellites are a potential game-changer for managing and monitoring the common agricultural policy (CAP). However, while the EU has in recent years encouraged their use to assess area-based direct aid to farmers, progress has been slower on using them to monitor environmental and climate requirements, say the auditors.

Frontex’s performance probed by EU Auditors

The European Court of Auditors (ECA) has launched an audit to examine whether the European Border and Coast Guard Agency (Frontex) has so far provided effective support to Member States in the implementation of European Integrated Border Management.

Little progress from EU action on pesticides

Progress towards measuring and reducing risks from pesticide use in the EU has been limited, according to a new report from the European Court of Auditors. Several Member States have been late in fully transposing the directive on sustainable use of pesticides, while incentives for farmers to adopt alternative methods remain weak. In addition, the European Commission is unable to precisely monitor the effects or risks resulting from pesticide use, say the auditors.
Audit preview

Published on 12/02/2020

EU Auditors to examine gender mainstreaming in the EU budget

Gender mainstreaming is the practice of systematically considering gender when preparing, designing, implementing, monitoring and evaluating policies and activities. The European Court of Auditors is conducting an audit to assess whether the Commission has used gender mainstreaming in the EU budget to promote equality.

Click here for our report

Special report 03/2020

Published on 14/02/2020

Commission met its nuclear safety responsibilities under Euratom Treaty, but some improvements possible

Nuclear safety is generally the responsibility of EU Member States using nuclear energy, but the European Commission also has specific responsibilities in the field, mainly for legislation and oversight. According to a new report from the European Court of Auditors, the Commission has met these responsibilities but still has scope to update the legal framework and its internal guidelines.

Click here for our report

Special report 06/2020

Published on 03/03/2020

EU cities must shift more traffic to sustainable transport modes

Six years after the European Commission called for a step-change, there is no clear indication that EU cities are fundamentally changing their approaches to moving people around cities and shifting urban traffic to more sustainable and environmentally friendly modes of transport, concludes a new report from the European Court of Auditors (ECA). In particular, there has been no significant reduction in private car usage, and air pollution in many cities still exceeds safety levels.

Click here for our report
Auditors look into the EU’s fight against disinformation

The European Court of Auditors (ECA) has launched an audit to examine the Union’s efforts to fight the spread of verifiably false or misleading information for the purposes of economic gain or intentionally deceiving the public, which may cause public harm. The auditors will assess the EU action plan against disinformation in terms of its relevance, the results achieved so far, as well as its accountability framework. The examination includes the European External Action Service (EEAS) StratCom task forces’ capacity to tackle disinformation, the establishment of the rapid alert system, the code of practice signed by online platforms and other bodies, as well as projects and EU initiatives to raise awareness and improve societal resilience.

Click here for our report

EU agriculture policy in transition: continuity is necessary, as well as clear rules

There are delays in agreeing the EU’s multiannual financial framework (MFF) for 2021-2027 and the post-2020 Common Agricultural Policy (CAP). This is why the European Commission has proposed transitional rules for the CAP in 2021, to carry on funding EU farmers and rural development after the expiry of the current policy in 2020 and until a new CAP comes into force. These delays will put back the potentially more ambitious EU agriculture policy by at least a year, warns the European Court of Auditors in a new opinion. This additional time should be used to address the climate and environmental challenges set out in the Green Deal, ensure robust governance of the future CAP and shore up its performance framework, say the auditors.

Click here for our report

Overall, good progress made by the EU Auditors in meeting their strategic goals

Today, the European Court of Auditors (ECA) has published an international peer review report on the progress made in implementing its strategy for the period 2018 to 2020.
Mitigating the Covid-19 outbreak using EU structural funds requires a balance between more flexibility and accountability

The European Commission is proposing a temporary relaxation of spending rules for the European structural and investment (ESI) funds in order to help Member States in mitigating the effects of the Covid-19 outbreak. While EU support needs to be available to Member States as soon as possible, relaxing the procedures in place entails risks, according to a new opinion from the European Court of Auditors (ECA).

Implementation costs of EU cohesion policy: comparatively low, but insufficient information to estimate simplification savings

The European Structural and Investment funds (ESIF) are the EU’s main investment policies, but implementing them generates administrative costs. According to a report by the European Court of Auditors, those administrative costs are relatively low compared to those of other similar EU and internationally funded programmes. However, the collected data on costs was insufficient to assess the impact of simplifying EU cohesion policy funds rules.

The establishment of the Just Transition Fund, which is at the heart of the European Commission’s amended proposal for the next common provisions regulation

On 14 January 2020, the European Commission published its proposal for an amendment of the common provisions regulation (CPR) for the next programme period 2021-2027. It deals with the introduction of the new Just Transition Fund (JTF), which will complement the proposed cohesion policy funds covered by the CPR, including the European Regional Development Fund, the European Social Fund Plus and the Cohesion Fund.
Special report 08/2020
Published on 23/04/2020

More focus and coordination needed in EU spending for cultural sites

Several European initiatives have been developed to promote cultural sites. But their coordination with funding arrangements is too limited and EU investments lack focus on the preservation and financial sustainability of cultural sites, according to a new report from the European Court of Auditors. In addition, cultural investments are not treated as a priority, but mainly as means of promoting economic objectives, say the auditors.

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Special report 09/2020
Published on 21/04/2020

EU road network completion progressing slowly and maintenance costs a growing concern

The core trans-European transport network (TEN-T) of fast roads is gaining ground and achieving positive results for travellers, such as shorter travel times and more motorway mileage, according to a new report by the European Court of Auditors (ECA). EU funding and the European Commission’s actions have contributed positively to these results, but most central and eastern Member States still lag behind and only some 400 km of new TEN-T roads have been completed with EU support since 2014. In addition, seamless road travel along the network is hampered by incomplete cross-border sections and poorly coordinated parking and clean fuel infrastructure, while insufficient maintenance by Member States puts the network’s condition at risk in the long run.

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Special report 11/2020
Published on 28/04/2020

Cost-effectiveness does not guide EU spending on energy efficiency in buildings

Cost-effectiveness is not a determining factor for allocating public funding to energy efficiency measures in residential buildings, according to a new report from the European Court of Auditors. Despite improved guidance from the European Commission, EU-funded projects still do not focus on achieving the greatest potential energy savings per euro invested. The overall contribution of EU funding to the Union’s energy efficiency targets is not clear, say the auditors.

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ECA publications in May 2020

EU Auditors’ 2019 figures and findings – at a glance: checking how EU policies and spending deliver added value on the ground

The European Court of Auditors (ECA) is focusing increasingly on assessing the performance and added value of EU spending and regulatory action, according to its new activity report. In 2019, the EU’s external auditors published 67 reports, reviews and opinions addressing many of the challenges the Union is facing, such as cross-border healthcare, renewable energy, cybersecurity, migration and fiscal governance. With Member States now facing an unprecedented challenge to public health and the economy due to the Covid-19 pandemic, all European institutions must build on past efforts to further improve the EU’s financial management and ensure the Union delivers, said ECA President Klaus-Heiner Lehne.

[Click here for our report]

Special Report 12/2020

The European Investment Advisory Hub: yet to achieve its full investment-boosting potential

Launched in 2015 as part of the Investment Plan for Europe, the European Investment Advisory Hub offers technical support to EU project promoters. According to a new report by the European Court of Auditors, beneficiaries are satisfied with the Hub’s advisory services. However, it has not yet achieved its full potential to boost investment in the EU, mainly due to an insufficiently clear strategy for targeting support where it could add most value.

[Click here for our report]

Work Programme Covid-19

EU’s public health and economic response to Covid-19 to be reviewed by Auditors

The European Court of Auditors (ECA) has revised its 2020 work programme today to shift the focus of its work towards Covid-19-related aspects: it has adjusted the scope, approach and timing of a number of ongoing tasks and, in addition, decided to discontinue some tasks initially planned to start in 2020. The EU’s external auditor has also added two new reviews to the programme: one on the EU’s contribution to the public health and another on its economic policy response to the coronavirus pandemic. The aim of both reviews is to contribute to public discussion on how the EU and its Member States have dealt with the effects of the pandemic. In addition, they will contribute to the lessons-learned exercise and the debate on the role of the EU and its bodies during this and future crises.

[Click here for our report]
Biodiversity on farmland continues to decline despite specific CAP measures

The common agricultural policy (CAP) was not effective in reversing the decades-long decline in biodiversity and intensive farming remains a main cause of biodiversity loss, according to a new report by the European Court of Auditors (ECA). The auditors found gaps in the EU 2020 biodiversity strategy and its coordination with the CAP. Moreover, the Commission’s tracking of CAP spending on biodiversity is unreliable and most CAP funding has little positive impact on it. Some CAP schemes have greater potential to improve biodiversity, but the Commission and Member States favoured low-impact options.

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EU action against money laundering in the banking sector to go under auditor scrutiny

Money laundering is the practice of disguising the illegal origin of criminal proceeds. Suspicious transactions linked to money laundering amount to hundreds of billions per year within the EU. The European Court of Auditors (ECA) has started an audit to examine the Union’s efforts to tackle the laundering of dirty money, focusing specifically on the banking sector.

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Speed up cross-border megaprojects to optimise transport across Europe

Key cross-border transport megaprojects in the EU are progressing more slowly than expected. Six of the eight multibillion infrastructures audited and their access lines are unlikely to be operating at full capacity by 2030 as initially planned, according to a new report by the European Court of Auditors (ECA). This will further postpone the completion of the core trans-European network (TEN-T).

Click here for our report
What value has the European Union for you?

Nowadays, we are used to being able to live, study, work and travel throughout the European Union. Most of us cannot even remember a time without the EU and all the benefits it offers to its Member States and citizens. Those who do may still recall the devastations of two world wars, and praise the decision, taken in 1951 by a few wise men – at the time there were no female heads of state or government – to seed a new European spirit by establishing the European Coal and Steel Community. For many people inside and outside Europe, the EU is the most successful peace project in the history of humankind, having brought security and prosperity to hundreds of millions of citizens. The award of the 2012 Nobel Peace Prize to the EU is a testament to this. At the same time, the EU provides social and economic stability, not only to its Member States, but also to neighbouring countries, fostering regional development, innovation, and human rights, to name just a few of its accomplishments. It is the world’s biggest functioning internal market. EU citizens benefit from free movement, but also from high standards for food and product safety and consumer protection.

Since the EU came into being in the 1950s, the number of Member States has more than tripled. There are currently another seven potential candidates who want to join sooner rather than later. But the UK, formerly one of the EU’s biggest Member States, recently decided that it would be better off on its own. So, what is it that makes EU membership so attractive to some, but not to others? What is the added value of EU membership? And, what does EU added value actually mean, apart from financial transfers? Added to what? And for whom?

To put it another way: what difference would it make to our daily lives if the EU ceased to exist? What would we miss? And what added value does the EU have for ordinary citizens? What if the values achieved come with a cost? Are they still an added value? How do the sometimes very diverging preferences of EU citizens translated into common EU policies? And what does this mean for EU spending? The Multiannual Financial Framework negotiations ahead of us make EU added value an ever more tangible question: what should we spend the EU’s money on, and for what purpose? Is money better spent at EU level than national level? How should this EU funding best be sourced: from Member States’ contributions or through ‘own resources’, or EU taxes?

At the same time, let’s not forget that the current EU budget only amounts to roughly one per cent of Member States’ GDP, which is just a small fraction of national budgets. Most EU objectives, in fact, are mainly pursued through legislative and coordination actions that bring together different national laws to trigger economic, social and political changes for the benefit of EU citizens.
The Covid-19 pandemic has shown us the difference it makes if everyone acts alone – closes borders, limits the export of medical equipment and is unaware of best practices applied in other Member States – and the benefits to EU countries if they live the solidarity the Treaties call for, procuring essential equipment, ensuring coordination and mitigating the detrimental effects of the pandemic on our societies and economies together.

Our next edition will deal with the issue of EU added value and try to answer some of the questions mentioned above. Because for public auditors, both at EU and national level, the concept – with its definitions, criteria, sources of evidence and analytical challenges – is crucial in relation to issues related to efficiency, effectiveness and economy of many, if not most, of the public policies and programmes implemented across Europe. Auditors’ conclusions and recommendations help policy-makers find the best ways to create and improve the added value of public action.

How is it possible to audit something as seemingly intangible as added value and assess whether the EU has managed to create real and sustainable value for its citizens? For this issue, we would like to hear your opinion as well. We invite you to ask yourself the question ‘What does EU added value mean to me?’ and send us your answer before 1 September 2020 to eca-journal@eca.europa.eu.
The ‘barcode colour chart’ shows the annual change of European average temperatures from 1920 to 2018 over land areas relative to the pre-industrial period (using the earliest observations from the period 1850–1900 as a proxy). Each year is represented by a coloured bar. If the bar is in a shade of blue, it means that the annual change of the average temperature in Europe was under 1 °C. White bars show a change around 1 °C, while red bars indicate an annual temperature change exceeding 1 °C. The darkest red bars on the right indicate a change of approximately 2 °C.

Source: ECA, based temperature data from European Environmental Agency (https://www.eea.europa.eu/data-and-maps/indicators/global-and-european-temperature-9/assessment, Fig. 2., NOAA Global Temp column) & Piyaset-Shutterstock/Nicolas Toulas