

Result Oriented Spending for the Climate

Creating strong connections between the EU budget and National Energy and Climate Plans

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There are many promising ways in which the next EU budget could help EU Member States achieve their climate and energy targets. Explicitly targeting EU public spending towards climate could send a signal to other investors, creating a shift in financial flows. Existing legislative proposals the door already ajar, but concrete improvements are needed to push it open, analysis by Ecologic Institute shows.

As part of a project funded by the European Climate Foundation, Ecologic Institute's Matthias Duwe has assessed different routes for linking the EU budget for 2021 to 2027, known as the Multiannual Financial Framework (MFF), and the National Energy and Climate Plans (NECPs), which all EU Member States have to produce by the end of 2019.

Although climate change is referenced in several places in the proposed MFF and its instruments, they run the risk of missing out on the potential benefits in their current form. Linking them to the NECPs would act as a strong signal for Member States, regional governments and private investors alike, and thus leverage increased private investment to help reach the EU's medium- and long-term climate goals.

The discussion paper discusses eight options, along three main potential approaches:

- (A) alignment of strategies between the national spending of EU funds and the NECPs.
- (B) financial incentives for higher ambition at the national level on targets and policies and
- (C) incentives for performance that deliver transformative impulses and emission reductions.

An overarching alignment of the two processes would be of particular value and could be achieved with relatively limited effort or legislation adjustment – especially if supported by political declarations calling for the budget to become "compatible with the Paris Agreement" and a potential "Paris Agreement Reserve" as an incentive for higher ambition.

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[Matthias Duwe](#)

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