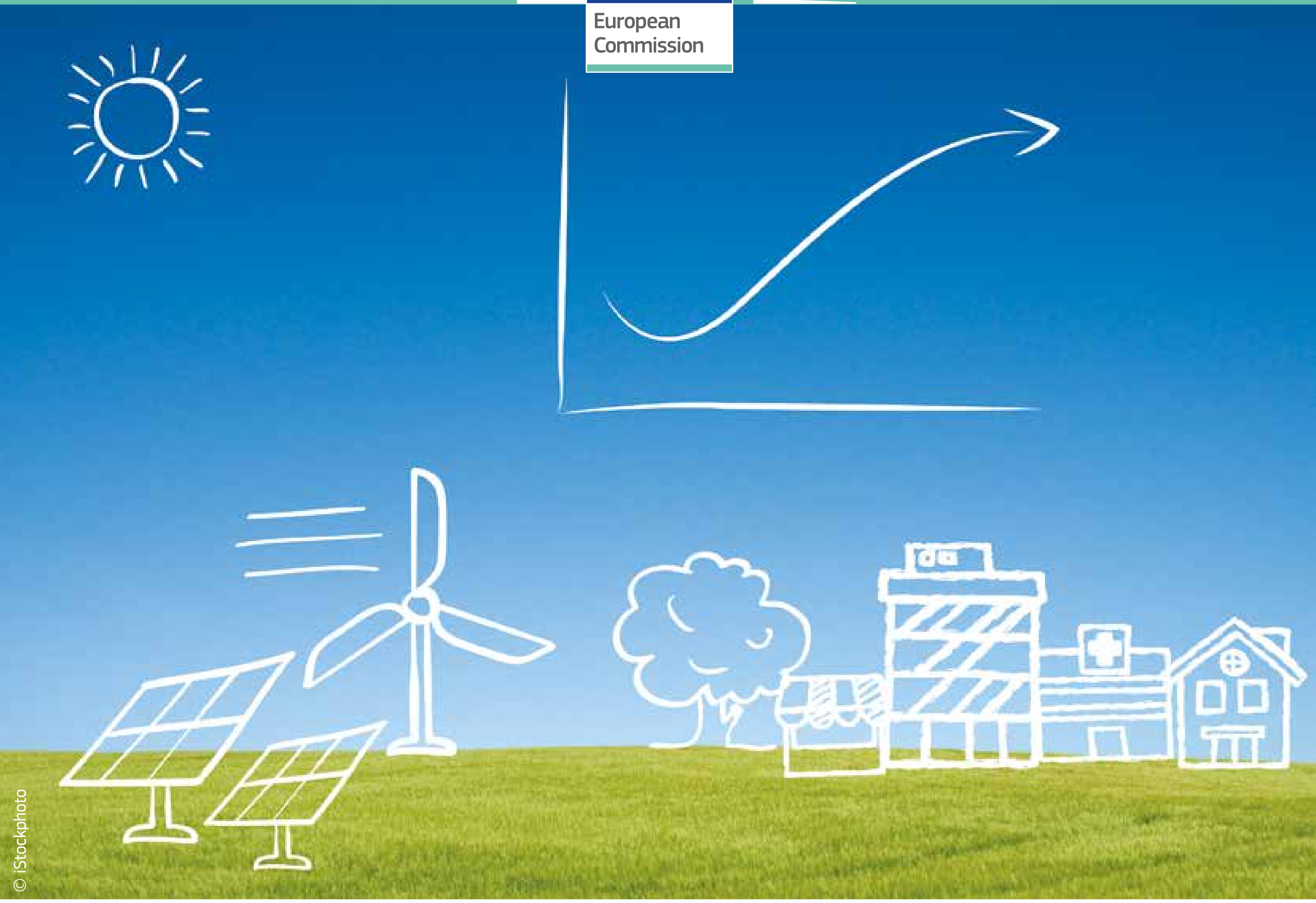


# Tracking climate expenditure

The common methodology for tracking and monitoring climate expenditure under the European Structural and Investment Funds (2014-2020)

Climate Action

## Introduction

The 2014-2020 multiannual financial framework (MFF) includes a political commitment to 'mainstream' climate change objectives across the different policy areas[1] and to allocate at least 20% of the EU budget in support of action to both mitigate and adapt to the impacts of climate change.

The European Structural and Investment Funds (ESIF) comprise five different funds which work together to support economic development across all EU countries. These are: the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF).

These five funds represent more than 43% of the EU budget for the 2014-2020 period. They therefore have a significant role to play in reaching the political objective for climate-related expenditure and contributing to Europe's transition to a low-carbon and climate-resilient economy. Based on the common methodology calculation, about 25% of the ESIF budget – or more than EUR 114 billion[2] – have been earmarked for climate-related investments over the 2014-2020 period.

Climate action has been included in the legal basis for the five funds (see the Glossary and Legal references at the end of the Fact Sheet). Furthermore, a set of fund fact sheets[3] prepared by the European Commission's Directorate-General for Climate Action provides guidance on the mainstreaming and assessment of climate action in Member States' Partnership Agreements and Operational Programmes under the ESIF.

Building on the ESIF 2014-2020 Regulations where climate action is recognised as playing an important role, the European Commission has developed a common methodology to track and monitor climate-related expenditure[4] across all five funds.

This fact sheet provides an overview of the key principles and application of the common methodology to increase transparency.

## Why do we need to track climate expenditure?

Tracking climate expenditure under the EU budget provides the means of assessing and monitoring progress towards the political commitment to devote at least 20% of the EU budget in support of climate change objectives. The common methodology allows the amount of the Union budget that is allocated and spent towards the achievement of climate mitigation and adaptation objectives to be quantified.

Climate tracking is also one of the tools used to mainstream climate action across the different policy areas and in the EU budget. It has served to promote mainstreaming in a wider sense through, for example, objective setting, output and results indicators, selection criteria, and focusing on the impacts of investments across the ESIF programmes. Hence, climate tracking has served as a valuable tool for promoting climate action in Member States through the ESIF partnership agreements and programmes.

[1] Whereby climate change is to be integrated into other policy areas and EU level instruments that are not directly concerned with climate change mitigation or adaptation objectives. In addition, climate action in the context of European climate policy generally refers to the two pillars: mitigation and adaptation.

[2] Communication from the Commission "Investing in jobs and growth – maximising the contribution of European Structural and Investment Funds", COM(2015) 639.

[3] http://ec.europa.eu/clima/publications/index_en.htm#Mainstreaming

[4] The common methodology for tracking of climate expenditure is adopted by the Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014 and amended by the Commission Implementing Regulation (EU) No 1232/2014 of 18 November 2014.

## What, when and how to track?

The common methodology applies to the EU contribution[5] of the total eligible expenditure, which is being tracked and is subject to the 20% political objective. It is worth noting that the EU contribution is always matched with a national financial contribution coming from national public and/or national private sources of funding. Therefore, the total investment in support of climate change objectives will consist of both the EU contribution (covered by the tracking methodology) and the national contribution.

Expenditure is tracked at all stages of the programming cycle (programming, implementation, monitoring and review). At the programming stage, tracking is carried out on the basis of indicative amounts of expenditure earmarked by the ESIF programmes. At the implementation and monitoring phases, tracking is carried out on the basis of financial commitments. Finally, at the review phase, tracking will be carried out on the basis of paid expenditures. The methodology serves as an essential tool to quantify the climate-related action that Member States have been undertaking.

## Common methodology

The common methodology for all five funds builds on the existing OECD Rio Markers[6] approach already used by the Commission in the area of external aid[7]. The common methodology is adapted to provide for quantified financial data. Climate-related expenditure can be calculated at the level of programmes and funds.

In practice, **climate markers** are applied for all expenditure according to the following principles:

- A 100% climate marker applies to expenditure supporting climate action as the primary objective. This means climate action is fundamental to the design and impact of the activity and is an explicit objective of the activity; e.g. wind farms, energy efficiency, adaptation to climate change measures, cycle tracks.
- A 40% climate marker applies to expenditure where climate action is a significant, but not predominant objective. Climate action, although important, is not the principal reason for undertaking the activity; e.g. air quality measures, enhancement of biodiversity, sustainable transport modes, such as railways, inland water ways, clean urban transport systems.
- A 0% climate marker applies to expenditure that does not target climate action, e.g. motorways and roads, airports, waste management.

This is a simple and transparent approach that does not impose any additional administrative burden on Member States or the European Commission. At the same time, it allows climate expenditure to be tracked and monitored across different funding streams under the ESIF and provides robust and reliable data of climate expenditure.

The following sections describe the programming and terminology applied under the ESIF as well as use of tracking methodology for each fund, including fund-specific examples of climate expenditure.

[5] The share of the EU co-financing is defined by the co-financing rates laid down in the programmes. Maximum thresholds of co-financing are defined by the Common Provisions Regulation (EU) No 1303/2013.

[6] Handbook on OECD-DAC Climate Markers, Sept. 2011.

[7] DG DEVCO, DG NEAR use Rio Markers for reporting on international climate and biodiversity related expenditure.

### The European Structural and Investment Funds (2014-2020)

The budget allocated to the ESIF is implemented under 'shared management' between the Member States and the Commission. This means that the implementation of the programmes is delegated to individual Member States, which are in charge of the reporting of financial data, including their climate expenditure, during the implementation, monitoring and review phases.

The Common Provisions Regulation (CPR) lays down a set of common rules and principles for the five funds with the principal goal of maximising the policy impacts in delivering EU priorities.

The European Commission has adopted a Partnership Agreement for each Member State in which the elements of the CPR are translated into a national context and commitments to achieve EU objectives. Climate change objectives are thus covered through the programming of the ESIF.

The horizontal principle of sustainable development[8] ensures that climate change mitigation and adaptation are promoted across the ESIF. Member States are required to provide indicative amounts on the support for climate change objectives in their programming documents.

The five funds are implemented through programmes in accordance with the elements set out in the Partnership Agreements. Programmes can be national (e.g. all programmes under the European Maritime and Fisheries Fund (EMFF), regional or involving more than one country through the European Territorial Cooperation (ETC)[9] objective. Each programme sets out a strategy explaining how it will address national and/or regional needs and contribute to the Europe 2020 strategy, in line with the applicable regulations and the Partnership Agreement.

## Thematic objectives

The CPR defines eleven thematic objectives, which contribute to the implementation of the Europe 2020 strategy.

1. Strengthening research, technological development and innovation.
2. Enhancing access to and use and quality of, ICT.
3. Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF).
4. Supporting the shift towards a low-carbon economy in all sectors.
5. Promoting climate change adaptation, risk prevention and management.
6. Preserving and protecting the environment and promoting resource efficiency.
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures.
8. Promoting sustainable and quality employment and supporting labour mobility.
9. Promoting social inclusion, combating poverty and any discrimination.
10. Investing in education, training and vocational training for skills and lifelong learning.
11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

Thematic objectives 4 and 5 explicitly and directly target climate action, while the others can also significantly contribute towards climate objectives. Hence, climate expenditure can be mainstreamed under all thematic objectives.

### Investment priorities, priority axes and intervention fields

The cohesion policy funds (European Regional Development Funds (including European territorial Cooperation), the Cohesion Fund and European Social Fund) define their strategic priorities as 'priority axes' in their programmes. For each priority axis, further appropriate investment priorities are selected in line with the Common Provisions Regulation. Those are translated into specific objectives, types of actions and targets.

The programmes select intervention fields[10] for investment priorities that will be supported under each of the priority axis as well as specify the amount of indicative funding for each intervention.

## Union priorities, focus areas and measures

Under the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), the thematic objectives are translated into Union priorities.

Support from the EAFRD is channelled across six Union priorities and 18 corresponding focus areas. Relevant combinations of measures are selected in relation to the focus areas of the Union priorities. Specific measures, types of operations and targets are included in the programme in line with the EAFRD regulation. Climate markers are attached to the focus areas of the Union priorities

Support from the EMFF, on the other hand, is channelled through six Union priorities and corresponding specific objectives and a total of 50 predefined measures. Climate markers are assigned to each of the measures.

## Climate tracking under the cohesion policy funds

The cohesion policy funds contribute to climate objectives through a variety of action in such areas as renewable energy, energy efficiency, adaptation to climate change, environment, research and innovations, sustainable transport as well as education and training.

The common methodology applied here assigns climate markers in terms of coefficients (100%, 40% or 0%) to the different intervention fields. The fields are arranged under nine thematic dimensions. Table 1 highlights some examples of climate markers under the European Regional Development Fund and the Cohesion Fund.

[8] Article 8 of Regulation (EU) No 1303/2013 (Common Provisions Regulation).

[9] European Territorial Cooperation is one of the cohesion policy goals under the European Regional Development Fund.

[10] Intervention fields are specified types of expenditure listed in Annex I of the Implementing Regulation (EU) No 215/2014.

**Table 1: Examples of climate markers under the European Regional Development Fund and the Cohesion Fund[11]**

| Intervention field | Coefficient |
|---|---|
| Environment | |
| 083 Air quality measures | 40 % |
| 084 Integrated pollution prevention and control (IPPC) | 40 % |
| 085 Protection and enhancement of biodiversity, nature protection and green infrastructure | 40 % |
| 086 Protection, restoration and sustainable use of Natura 2000 sites | 40 % |
| 087 Adaptation to climate change measures and prevention and management of climate related risks e.g. erosion, fires, flooding, storms and drought, including awareness raising, civil protection and disaster management systems and infrastructures | 100 % |
| 088 Risk prevention and management of non-climate related natural risks (i.e. earthquakes) and risks linked to human activities (e.g. technological accidents), including awareness raising, civil protection and disaster management systems and infrastructures | 0 % |
| 089 Rehabilitation of industrial sites and contaminated land | 0 % |
| 090 Cycle tracks and footpaths | 100 % |

During the programming stage Member States select the relevant intervention fields under each priority axis in line with their objectives and programmes. For each selected intervention field they further assign the indicative amount of financing deemed appropriate to achieve the set objectives and targets. One of the three climate markers (coefficients) is assigned for each intervention field under the Commission Implementing Regulation (EU) No 215/2014. On the basis of these entries, the indicative amounts supporting climate action objectives are automatically calculated by multiplying the indicative amount of expenditure with the corresponding coefficients for each intervention field.

Under the European Social Fund, climate markers are, in principle, 0%. However, Member States may chose the 'secondary theme' that captures expenditure supporting the shift to a low-carbon and resource-efficient economy. This option would include, for example, investments in education and training that would help to develop skills and qualifications in the area of low-carbon economy or adaptation to climate change. In this case a climate marker of 100% would apply.

[11] Annex I of the Implementing Regulation (EU) No 215/2014.

## Climate tracking under the European Agricultural Fund for Rural Development

The European Agricultural Fund for Rural Development contributes to climate objectives through a variety of actions that promote resource efficiency, enhance biodiversity and maintain ecosystems in agriculture and forestry, prevent soil erosion and encourage practices that contribute to low-carbon and climate-resilient economy in the agriculture, food, and forestry sectors.

The climate markers under the EAFRD are assigned to four focus areas that target or contribute to climate action (see Table 2). There are two focus areas that support climate action as the principal objective (100% coefficient applies) and two that contribute (40% coefficient applies).

**Table 2: Climate markers under the European Agricultural Fund for Rural Development[12]**

| Priority / focus area | Coefficient |
|---|---|
| Supporting farm risk prevention and management | 40 % |
| Restoring, preserving and enhancing ecosystems related to agriculture and forestry (all focus areas) | 100 % |
| Promoting resource efficiency and supporting the shift towards a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors (all focus areas) | 100 % |
| Fostering local development in rural areas | 40 % |

Under the EAFRD Member States determine the focus areas in line with the programme priorities. For each selected focus area they assign indicative amount of financing deemed appropriate to achieve the set objectives and targets. One of the three climate markers is assigned for each focus area under the Commission Implementing Regulation (EU) No 215/2014. On the basis of these entries, the indicative amounts supporting climate action objectives are automatically calculated by multiplying the indicative amount of expenditure with the corresponding coefficients for each focus area.

## Climate tracking under the European Maritime and Fisheries Fund

The European Maritime and Fisheries Fund contributes to climate objectives mainly through interventions that target the conservation of marine biodiversity, energy efficiency, and sustainable development in aquaculture.

Climate markers under the EMFF are assigned to the measures that target or contribute to climate objectives. These are arranged under eight thematic chapters[13]. There are three measures that fully support climate action as a principal objective. These include permanent cessation of fishing activities, replacement or modernisation of engines and mitigation of climate change

[12] Annex II of the Implementing Regulation (EU) No 2015/2014.

[13] Annex III of the Implementing Regulation (EU) No 1232/2014 amending the Implementing Regulation (EU) No 215/2014.

through investments in energy efficiency, equipment on board, and energy audits and studies.

The bulk of the other measures (13 altogether) that contribute to climate objectives (where the 40% coefficient applies) mainly target marine biodiversity conservation and sustainable development in aquaculture, as well as improvement of fishing equipment and infrastructure.

In addition, there are a number of measures marked with (*). For these measures, the Member State can propose a coefficient of 40% provided that it can demonstrate the relevance of that measure to climate change mitigation and adaptation. For example, the innovation measure (see Table 3) may be targeted at innovation in the area of climate mitigation or adaptation. This would need to be demonstrated, for example, by a needs analysis and the selection of corresponding indicators and the definition of adequate targets. Table 3 lists some examples of the types of climate expenditure supported under EMFF.

In order to calculate the climate expenditure, the Member State selects the relevant measures in line with their priorities and actions as defined in the programme. For each selected measure an indicative amount of financing is assigned to achieve the set objectives and targets. The corresponding climate coefficient is then attributed and the expenditures in support of climate objectives calculated.

**Table 3: Examples of climate markers under the European Maritime and Fisheries Fund**

| Title of the Measure | Coefficient |
|---|---|
| Permanent cessation of fishing activities | 100% |
| Limiting the impact of fishing on the marine environment and adapting fishing to the protection of species | 40% |
| Innovation linked to the conservation of marine biological resources | 40% |
| Energy efficiency and mitigation of climate change — Replacement or modernisation of main or ancillary engines | 100% |
| Innovation | 0%* |



## Glossary and Legal references

| Abbreviation | Term | Legal reference |
|---|---|---|
| CPR | The Common Provisions Regulation | Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 |
| ERDF | European Rural Development Fund | Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 |
| CF | Cohesion Fund | Regulation (EU) No 1300/2013 of the European Parliament and of the Council of 17 December 2013 |
| ESF | European Social Fund | Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 |
| EAFRD | European Agricultural Fund for Rural Development | Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 |
| EMFF | European Maritime and Fisheries Fund | Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 |
| ETC | European Territorial Cooperation | Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 |
| CTR | Climate Tracking Regulation | Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014; the Commission Implementing Regulation (EU) No 1232/2014 of 18 November 2014 |

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The common methodology is a key instrument allowing tracking and monitoring climate-related expenditure under the European Structural and Investment Funds (ESIF) for the 2014-2020 period.

ESIF includes five funds, i.e the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). These funds represent more than 43% of the EU budget for the 2014-2020 period.

They therefore have a significant role to play in reaching the political objective to allocate at least 20% of the EU budget in support of climate mitigation and adaptation objectives contributing to Europe's transition to a low-carbon and climate-resilient economy.

The common methodology has made it possible to calculate that about 25% of the ESIF budget – or more than EUR 114 billion – have been earmarked for climate-related investments over the 2014-2020 period. Renewable energy, energy efficiency, adaptation to climate change, environment, resource efficiency, sustainable agriculture and forestry are some of the areas being supported.

This fact sheet provides an overview of the key principles and application of the common methodology across the five funds based on the Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014 and the Commission Implementing Regulation (EU) No 1232/2014 of 18 November 2014.

The common methodology builds on the existing OECD Rio Markers approach and is adapted to provide for quantified financial data. Expenditure have been thus marked in one of the three categories: climate related only (100%), significantly climate related (40%), and not climate related (0%). Climate tracking is a simple and transparent approach that does not impose any additional administrative burden. At the same time, it allows climate expenditure to be tracked and monitored under the ESIF and provides robust and reliable data of climate expenditure.

## Useful resources:

European Commission Climate Action website and social media:

- ec.europa.eu/clima
- facebook.com/EUClimateAction
- twitter.com/EUClimateAction
- youtube.com/EUClimateAction
- pinterest.com/EUClimateAction

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