



EU Budget: Integrating energy security, climate change, and green agenda in the Multiannual Financial Framework

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1. Introduction

Context and Background:

The purpose of this Briefing Paper is to provide an update on European Union progress towards the 2014-2020 Multiannual Financial Framework. The current Framework, which outlines the annual budgets for the EU over a seven year period, was reviewed in 2010 and a report on the review was published later that year. QCEA worked with other NGOs to publish a [Briefing Paper](#) on the review and the report.

In June 2011 the European Commission published '[A Budget for Europe 2020](#)' which sets out its proposals for the next Multiannual Financial Framework. This Communication was followed by several other documents detailing [specific programmes and policies](#). QCEA produced a [Briefing Paper](#) on this in July 2011.

This Briefing Paper outlines the Commission's proposals and offers a critique on the areas of interest to QCEA.

Green Agenda:

The Budget Review Communication from October 2010 stated:

*'The budget must also finance the European economy's drive into greener technologies and services. However instead of a new dedicated programme, this focus should apply across all EU policies.'*¹

It also stresses that all areas of the budget 'should be recast to ensure that Europe 2020 objectives are translated into investment priorities'². This means that the next Multiannual Financial Framework should incorporate smart, sustainable and inclusive growth and economic governance into all new policies. Indeed, Europe 2020 is described in the document as 'Tomorrow's number one priority'³. More specifically to the green agenda, it suggests 'mainstreaming climate and energy targets into other policy areas', thereby ensuring that these remain a consideration in all areas of the EU budget rather than having a specific programme dedicated to green issues⁴.

In response to these objectives, the Communication 'A Budget for Europe 2020' makes frequent reference to green issues: sustainability, energy security, the environment and climate change throughout the various documents. A section on 'The Major New Elements' Part I of the Communication explains in relation to the next budget:

*'It addresses cross-cutting policy priorities, such as environmental protection and the fight against climate change, as an integral part of all the main instruments and interventions.'*⁵

In line with this, Part II of the Commission Communication includes consideration of green issues in all of its policy fiches as well as containing separate sections entitled 'Climate Action' and 'Environment'. For example, the proposed 'Connecting Europe' policy includes as a necessary feature:

*'They will also help meet the EU's sustainable growth objectives outlined in the Europe 2020 Strategy and the EU's ambitious "20-20-20"ⁱ objectives in the area of energy and climate policy.'*⁶

The chapter on Climate Action emphasises the commitment to mainstreaming green issues and the increasingly pressing need to step up EU involvement.

*'In order to reach the Europe 2020 objectives, and to help other parts of the world to step up their efforts to combat climate change, the climate-related share of the future EU budget must be significantly increased, including investments in projects that are not exclusively climate-related but which have a significant climate component.'*⁷

As well as this top-down funding, the Commission includes in this section its plan to continue and extend the [LIFE+ programme](#), the bulk of which is dedicated to giving grants to environmental and climate change projects in Member States. The current LIFE+ programme (2007-2013) has a budget of €2.1 billion. In the proposed budget for 2014-2020 this figure will increase to €3.2 billion, divided into €800 million for a climate sub-programme (a new feature of LIFE+) and €2.4 billion for the environment sub-programme. In a press release the Commission outlines the benefits of including and increasing the LIFE+ programme:

ⁱ "20-20-20" is the heading for the EU climate and energy targets of reducing greenhouse gas emissions by 20%, reducing energy usage by 20%, and increasing energy use from renewable resources to 20% by 2020.

Combining mainstreaming with a specific instrument is designed to increase the coherence and added-value of the EU intervention.⁸

On the surface then, it seems the foundations are set for the green agenda to be firmly entrenched in the next Multiannual Financial Framework both from mainstreaming and ensuring added-value from the top and from the bottom-up grants offered through the LIFE+ programme. Incorporating the green agenda throughout the EU budget has the potential to make the 20-20-20 targets an essential consideration for all policy areas. However, the Commission also focuses much of the budget Communications on commitments which may prove obstacles to the green agenda. In a [Civil Society Contact Group](#) (CSCG) statement on the Budget Review, this concern is put to the Commission:

*'We ask that the Commission includes in its Communication on the next Multi-annual Financial Framework express reference to limitations of funding for technology research and innovation on the one hand and infrastructure projects on the other to projects which aim to contribute to the reduction of the environmental footprint and use of resources.'*⁹

'A Budget for Europe 2020' showed little sign of addressing this issue. For example, the new 'Connecting Europe' Facility states 'sustainable growth' as a key objective - as quoted above - but, when taking a closer look at the proposal there is little evidence of this¹⁰. Instead, much of the focus is on creating 'an environment conducive to private investment and develop instruments that will be attractive vehicles for specialised infrastructure'¹¹. In fact, there is no direct description of how the 20-20-20 goals will be met by the Connecting Europe Facility.

Similarly, the proposals for the agriculture and rural development budget allocation - primarily the Common Agricultural Policy (CAP) - include references to the green agenda.

*'The sector must also respond to the challenges of climate change and environmental degradation and pressing concerns in relation to food security, territorial balance and the pursuit of sustainable growth.'*¹²

The Commission describes the 'compulsory greening of direct payments' as 'fundamental' to the budget allocation. However, only 30 per cent of direct payments are required to comply with 'a range of environmentally-sound practices'¹³. This is suitably vague to bring doubt on the effectiveness of such a requirement. As we ask in our previous Briefing Paper on the Communication: 'why not all of it?'¹⁴

Purpose of the Briefing Paper:

In producing this Communication, and the accompanying documents, the Commission made a promising attempt to address the climate, environment and energy issues which are in need of urgent attention. However, it was also disappointing in its lack of detailed policies and specific action intended to achieve these bold aims.

Since the publication of the Budget Review and 'A Budget for Europe 2020', many documents have been published offering updates on the future funding of various EU programmes which

are included in the Multiannual Financial Framework funding. This Briefing Paper will look at these documents and discuss any new references to the green agenda.

2. Programmes & Instruments

Latest Publications

The list of documents discussed in this Briefing Paper is not exhaustive. They include only those with relevance to the green agenda. For example, the budgets allocated to Administration, Justice, and the Fight against Fraud have arguably little impact on the environment and analysing their impact on the green agenda would not be beneficial. Below is a list of the programmes and instruments included in this analysis with the latest documents released since July 2011. For clarity, they will be arranged into the order of the Commission's proposed main budget headings: Smart and Inclusive Growth; Sustainable Growth: Natural Resources; Security and Citizenship; and Global Europe (as mentioned, Administration will not be included here). Links to all the documents included in our analysis are included in the Appendix

1. Smart and Inclusive Growth:

- a) '**Cohesion Policy**: Investing in growth and jobs'
- b) '**Connecting Europe Facility**: Commission adopts plan for €50 billion boost to European networks'
- c) 'A growth package for **integrated European infrastructures**'
- d) 'Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions. A growth Package for **integrated European Infrastructures**'
- e) 'Guidelines for **trans European telecommunications** networks and replacing Decision No 1336/97/EC'
- f) 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A pilot for the **Europe 2020 Project Bond Initiative**'
- g) 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. **Horizon 2020 - The Framework Programme for Research and Innovation**'
- h) 'Commission Staff Working Paper Impact Assessment. **Horizon 2020**'
- i) 'Proposal for a Regulation of the European Parliament and of the Council establishing an **action programme for customs and taxation** in the European Union for the period 2014-2020 (FISCUS) and repealing Decision No 1482/2007/EC and No 624/2007/EC'
- j) '**European Institute of Innovation and Technology (EIT)** to create more innovation hubs'

- k) '€5.8 billion proposed to fund the **European programme for Earth observation**'

2. Sustainable Growth: Natural Resources:

- l) 'The European Commission proposes a **new partnership between Europe and the farmers**'
- m) '**Common Agricultural Policy towards 2020**'
- n) '**A new European Fund for the EU's Maritime and Fisheries Policies**'

3. Security and Citizenship:

- o) 'Proposal for a Regulation of the European Parliament and of the Council on a **consumer programme 2014-2020**'
- p) 'Q & A on the legislative package of **EU regional. employment and social policy for 2014-2020**'

4. Global Europe:

- q) 'Joint Communication to the European Parliament and the Council Global Europe: **A New Approach to financing EU external action**'
- r) 'Proposal for a Council Decision on relations between the European Union on the one hand, and **Greenland** and the Kingdom of Denmark on the other'

1. Smart and Inclusive Growth

Cohesion Policy

This new communication offers a more specific explanation of the green agenda outlined in A Budget for Europe 2020 - Part II Policy Fiches. The Budget for Europe 2020 stipulates that, within the European Regional Development Fund (ERDF), '[t]ransition regions and competitiveness regions would be required to focus the entire allocation of cohesion funding (except for the ESF) primarily on energy efficiency and renewable energy...Convergence regions will be able to devote their allocation to a wider range of objectives reflecting their broader range of development needs'¹⁵.

The ERDF was established to redress economic and social imbalances between EU regions through providing funding for specific regional projects which support employment growth, invest in technology and infrastructure and provide services for business and enterprise. The funding is divided into three areas each targeting different regions: convergence, regional competitiveness and employment, and territorial cooperation. Each area has specific funding priorities based on the needs of the regions they cover.

Convergence funding focuses on developing regional economic structures by providing investment for areas such as education, small and medium-sized business (SMEs), and research and technology. To qualify for funding a region must have a per capita Gross National Product (GNP) of less than 75 per cent of the EU average. Eligible areas currently

include whole countries, for example Estonia and Malta, as well as specific regions such as Martinique in France and Leipzig in Germany. For the current MFF Convergence funding is also available under a phasing-out system to regions which would have been eligible if the EU average GNP had been calculated before 2004 when EU membership increased from 15 to 25.

The Regional Competitiveness and Employment objective of the ERDF covers all areas not eligible under the Convergence objective as well as those included in the phasing-out system - those regions with GNP above 75 per cent of the EU average. Priorities of this objective are three-fold: innovation, environment, and transport and telecommunications.

Territorial cooperation covers cross-border projects for smaller regions (regions are classified using the Nomenclature of Territorial Units for Statistics - NUTSⁱⁱ) to encourage transnational cooperation and provide added value to regional projects by combining knowledge and resources.

Under the new MFF the Commission is proposing that the phasing-out system will be replaced by a new category of transition regions which includes all regions with GNP of between 75 and 90 per cent of the EU average. Eligible regions in wealthier Member States will also be required to make a greater contribution to any ERDF funding made available to them.

Alongside the ERDF is the European Social Fund (ESF). The ESF aims to tackle unemployment across the EU through investing in education, training, and life-long learning. For the 2014-2020 MFF the budget for ESF funding will increase from €75 billion to €84 billion and will include new objectives of tackling youth unemployment and promoting healthy ageing. The scope of funding will also increase to include equipment needed for investments in social and human capital.

The new communication acknowledges the need among the less developed regions for more flexibility in their funding but includes an additional requirement that 'they will have to devote at least 50 per cent of ERDF resources to energy efficiency and renewables, innovation and SME support'¹⁶. However, there is as yet no further clarification of how this 50 per cent will be divided between these three priorities. This is a positive move in theory but without a specific requirement for allocating funding to green issues there is little to prevent all 50 per cent being spent on SME support and innovation, ignoring energy efficiency and renewables entirely. There is more clarification in the 'Reinforcing Territorial Cohesion' subsection. Where previously there was no specific mention of green needs, the new communication includes the 'earmarking of a minimum of 5% of ERDF resources for sustainable urban development' as an element of Reinforcing Territorial Cohesion¹⁷. These changes to the wording of Cohesion Policy funding, though small, offer stricter rules on energy efficiency and renewable energy, but they do not go far enough.

Connecting Europe Facility

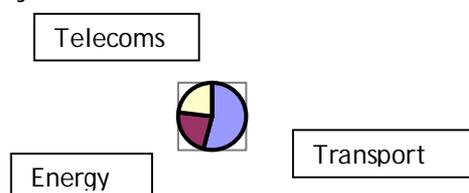
The next three documents - (b), (c) and (d) - refer to the budget for infrastructure, the 'Connecting Europe Facility'. They emphasise the commitment to making 'Europe's economy

ⁱⁱ More information on the NUTS system of territorial classification can be found at: http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction

greener by promoting cleaner transport modes, high speed broadband connections and facilitating the use of renewable energy in line with the Europe 2020 Strategy' and highlight the allocation within the budget for energy - trans-European energy networks (TEN-E)¹⁸. The documents are worded very positively: the energy sector can 'look forward to €9.1 billion' for trans-European infrastructure¹⁹. The Commission Communication describes the importance of TEN-E at a time of 'crucial transformation and the shift towards a resource efficient and low carbon economy'²⁰. However, there is little commitment in either document to reducing the use of transport. Transport still gets the bulk of the budget for the 'Connecting Europe Facility' - see graph 1 below - whilst the actual distribution of the €9.1 billion that the energy sector can 'look forward to' has more of a focus on 'security of supply' and transporting energy than it does on more localised renewable energy sources²¹. As QCEA's previous Briefing Paper notes, the focus should, instead, be on 'limiting what we need and the distances over which it is transported to us'²².

1. Connecting Europe Facility Budget by Policy Area:

Connecting Europe Facility project areas	Budget Allocation
Transport	€21.7
Energy	€9.1
Telecoms	€9.2
Total	€40



2. Network Corridors By Transport Mode:

Transport Mode	Number of Projects
Airport	1
Inland Waterways	16
Maritime	2
Motorways of the Sea (MoS)	4
Multimodal	2
Ports	14
Rail	97
Total	136

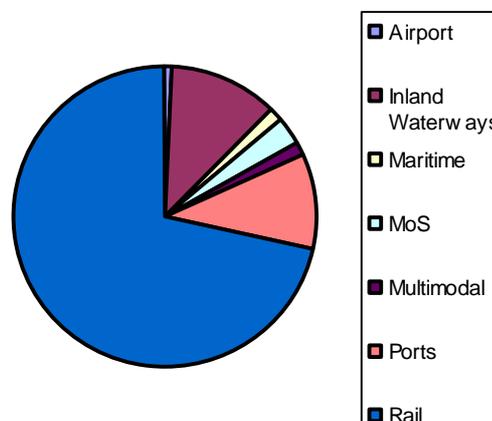


Table 2 (above) shows the distribution of planned transport projects for the next MFF. Before analysing the impact it has on the green agenda, the figures require some explanation. First, the total of 136 is not the total number of planned projects; instead it is the references to each transport mode within each project. Secondly, many of the projects are either upgrades to existing transport corridors or funding for research into possible

future networks. With these two points taken into consideration however, we can still draw out some useful comments about the Trans-European Transport Network (TEN-T).ⁱⁱⁱ

What is significant from this list is that road transport is not explicitly referred to. This does not mean that roads will not be built or renewed by the EU between 2014 and 2020. They are likely to figure under other headings such as ‘multimodal’ or ‘Motorways of the Sea’ (MoS). However, this is still a positive move away from a dependency on road traffic for European travel. As we can see from the chart, rail travel and the variety of water travel – inland waterways, MoS, ports, and maritime – make up the bulk of the planned projects: 97.8 per cent. While some of the water transport modes may involve roads, this is still a positive step for the Commission to make towards a greener transport network throughout Europe. As we can see from the table below (3), CO₂ emissions from road transport makes up by far the largest proportion of EU CO₂ emissions from all travel while shipping and rail contribute significantly less. Again these figures are not as straightforward as they appear. Shipping, for example, can be a large CO₂ emitter as well as damaging the environment in other ways; increasing our use of water transport will, therefore increase this damage to our waterways and seas.

The building and renewal of so many transport networks, whatever mode they may be, will also clearly have a negative impact on both the environment and greenhouse gas emissions. This is one of the key questions which TEN-T raises and fails to address: why is there no research into, or consideration of, the impact that a reduced dependency on transport would have on CO₂ emissions? EU membership increased significantly during the current MFF and is due to increase further between 2014 and 2020. With this in mind, as well as the EU commitment to 20-20-20, it is even more vital to at least begin a discussion on how to limit the growth in transport networks that would accompany this expansion.

3. Greenhouse Gas Emissions (GHG) per transport mode and percentage of total emissions:²³

GHG Emissions	Road - Car	Road - Bus	Rail	Shipping	Air
Kg CO₂-eq per tonne and km	2.62	0.75	0.17	0.01	2.22
Share of total transport emissions² (2010)	70.9%		0.7%	15.3%	12.4%

Another important question to ask in relation to the TEN-T funding is how does it relate to the current ongoing financial crisis and unemployment across the EU? Any planned construction of new modes of transport would, of course, create employment opportunities. However, part of the need for the expanding transport networks is that manufacturing is increasingly moving further away from demand, especially in Western Europe, taking much needed employment with it. What is needed, therefore, is research into whether, in fact, encouraging local manufacturing and providing supply chains closer to areas of greatest demand would be more beneficial both economically and environmentally by increasing employment and decreasing our dependency on transport.

ⁱⁱⁱ For a full list of the planned TEN-T transport corridors: http://www.ten-t-days-2011-antwerp.eu/fileadmin/Content/Downloads/2011/pdf/Final_Corridors.pdf

There are certainly some positive steps being made in the Connecting Europe Facility. However, many areas of the green agenda are not fully addressed. TEN-E makes bold claims to tackle climate change and increase sustainability but offers little explanation of how this will be achieved, while TEN-T makes important steps towards decreasing our dependency on road transport but fails to consider the need to reduce transport demand on the whole. More research needs to be done, and more questions need to be answered.

Trans European Telecommunications Networks

This document stresses the green benefits of developing EU-wide broadband networks and digital infrastructures. Though conceding that the positive effects will be limited - 'but only to some extent' - by the increasing demand for energy and resources related to this development, the green benefits are clear²⁴.

The focus of this document is on the information gathering benefits of these networks in relation to energy. For example, there is provision for 'Smart Energy Services' which 'open up opportunities for existing and new actors in both the telecoms and the energy networks' and cover the interactions between those involved in energy - consumers and energy providers²⁵. The purpose of these 'Smart Energy Services' is to make it easier for both groups to trace the environmental impact of the energy they provide and consume. This is a positive step in a system which is often confusing for consumers overwhelmed with a variety of energy providers and sources.

This move towards greater transparency and ease of use is furthered with what the document terms 'Generic Services'. This includes a variety of energy providers and companies with the aim of enabling the entry of SMEs (Small and Medium-sized Enterprises) to offer the consumer greater choice. Under this heading are also the 57 EU Energy Services Companies (ESCOs). ESCOs offer the general services provided by other energy companies but their remuneration is based on the energy savings they make. ESCOs' focus is on their Energy Performance Contracting Programme (EPC) which involves long-term contracts with businesses promising greater energy efficiency in buildings. The funding for EPC comes from the savings made by clients in their energy bills. For example, in the community of Nyköping, Sweden, a project involving a number of the community facilities resulted in a reduction of 21 per cent in their energy costs and a saving of 4,300 tonnes of CO₂ per year. A greater use of such services across the EU is a very encouraging development for energy efficiency, transparency, and public involvement.²⁶ The green benefits of 'Generic Services' are described similarly in the document:

*They will make available the functionality for customers to manage their energy demand, their renewable energy sources and their storage capacity, with the aim of optimising their energy use, reducing energy bills and greenhouse emissions, while ensuring data privacy and security.*²⁷

These Trans-European telecoms networks, in addition to other, more fundamental, changes in energy use in the EU, have the potential to make a real positive impact on the 20-20-20 goals.

Europe 2020 Project Bond Initiative

The new [Project Bond Initiative](#), due to be piloted in 2012-2013 and fully implemented in the next Multiannual Financial Framework, aims to offer public guarantees for private investments in Europe 2020 projects. This will, the Commission hopes, encourage more private funding for the Europe 2020 goals as the EU funding will provide some guarantee of funding with the European Investment Bank covering the majority of the cost. This new communication from the Commission makes bold claims for the Initiative, claiming that it will 'be beneficial for the European economy as a whole...while supporting the urgent shift towards a resource efficient and low carbon economy'²⁸. We await the results of the pilot project at the end of 2013 to see if private investment will be willing and able to play its part in the Project Bond Initiative.

Customs & Taxation

The Customs Union and Taxation sub-heading in A Budget for Europe 2020 made no mention of green issues. It is positive, therefore, that the more recent Proposal for 'establishing an action programme for customs and taxation' includes 'protecting the environment' in one of its Specific Objectives²⁹. There is little detail of how this would be achieved through this programme, but the very inclusion of the reference signals an understanding that green issues need to be incorporated into all areas of the next Multiannual Financial Framework in order to make real change.

Horizon 2020

At the time of writing QCEA's first Briefing Paper on the publication of 'A Budget for Europe 2020', Horizon 2020 was in the early stages of development and little information was provided on what it was, how it would work and what the specific focus would be. These two documents - (g) and (h) - fill in these gaps. What is clear is that green issues will be central to the budget for Horizon 2020, the new heading for all research and innovation projects. The first document outlining the framework programme for Horizon 2020 states that 'at least 60% of the total Horizon 2020 budget will be related to sustainable development' and that it 'is expected that around 30% of the Horizon 2020 budget will be climate related expenditure'³⁰. Though a little vague - 'expected' and 'at least' - this is still a very positive move. Even more promising is that this funding for 'climate related' projects is approached from two angles. As mentioned in QCEA's previous Briefing Paper, funding for the green agenda is not enough if it is contradicted by other aims such as increased transport networks. Money is not enough if more fundamental changes are not also implemented. Alongside the promise of devoting the majority of the budget to climate change and environmental issues, is recognition of the more complex situation which cannot be solved fully through 'science, technology and innovation'³¹. It is worth quoting in full here:

For greening the economy...recycling will need to be stepped up, business incentives will need to be changed (by, for instance, shifting taxation from labour to resource use), business models will need to be adapted (by, for instance, paying for services instead of products), consumers will need to be incentivised to mend and renew rather than discard, labourers will need to be retrained and citizens will need social protection...Specific research on these aspects will be needed as well.³²

Horizon 2020 funding falls into three key areas: excellence in the science base, tackling societal challenges, and creating industrial leadership and competitive frameworks. Under the 'tackling societal challenges' heading, there are six specific priorities, four of which are directly related to green issues:

- *Food security, sustainable agriculture, marine and maritime research and the bio-economy.* The focus of this priority is on securing sustainable supplies of food while accelerating the move towards the more resource-efficient and low-carbon, sustainable European industries. More specifically, the funding will centre on transforming all areas of food and bio-based production into resource-efficient practices. However, other than mention of bio refineries, biomass, bio waste and bio-based industry by-products as well as a rather vague reference to 'opening new markets', there is little explanation of what these practices will entail and how they are resource efficient. There is a clear possibility of wide interpretation as to how to achieve this in practice. For example, if factory farming involved less resources than organic farming could this be considered a resource-efficient area for research? With only 30 per cent of CAP funding allocated for the green agenda, accurate and focused research into viable green agricultural practices is vital to ensure this 30 per cent is spent as effectively as possible.
- *Secure, clean and efficient energy.* The aim here is to create 'a reliable, sustainable and competitive energy system, in the face of increasing resource scarcity, increasing energy needs and climate change'. The main areas of funding are described as 'Reduction of energy consumption and carbon footprint through smart and sustainable usage'; 'Low cost, low carbon electricity supply & single European electricity grid'; and 'Alternative fuels and mobile energy sources'. This combination of reducing energy consumption alongside producing low carbon energy supplies is in line with the EU's 20-20-20 aims. A closer look at the second heading, promising 'low cost, low carbon' electricity, raises some important questions which the document does not address sufficiently. First, financial savings and energy savings are often in conflict with each other, especially in the initial production stage when energy-efficient methods are often the more expensive option and the savings made through energy efficiency are not yet realised. This is therefore an area of concern: if a choice must be made between energy and financial savings, which will win the day? Secondly, the plan to create a 'single European electricity grid' does not necessarily equate to energy efficiency. The development of 'storage technologies of larger scale' and 'interoperable networks' may make electricity supply more low carbon but ignores the need for a more fundamental change to our energy usage. A move to micro-generation and more locally based energy distribution could help citizens understand and better control how much energy they use and where it comes from, allowing them to make more sustainable choices.
- *Smart, green and integrated transport.* The purpose of funding here is 'to minimise the impact of transport on climate and the environment by improving its efficiency in the use of natural resources, and by reducing its dependence on fossil fuels'. As before, the approach combines reducing greenhouse gas emissions, by producing electric and other low or zero emission vehicles, with exploring the use of alternatives fuels and making the relevant infrastructures more efficient. However,

with the focus on reducing the impact of transport and not on the reduction transport use, the positive impact of this priority will be limited.

- *Climate action, resource efficiency and raw materials.* This rather bold priority is to 'achieve a resource efficient and climate change resilient economy that meets the needs of a growing global population within the natural limits of a finite planet'. More specifically, this will focus on improving understanding of climate change, supporting mitigation policies and adaptation measures, increasing understanding of ecosystems, and encouraging public involvement in climate change.³³ Again there is a desire here to have it all: making the economy resource efficient and tackling climate change without curbing demand. It is positive that this priority explicitly makes reference to the 'natural limits of a finite planet', but combining this with the intention to meet 'the needs of a growing global population' without any mention of reducing energy use seems to defeat the positive intention. Shaping the economy within the 'natural limits of a finite planet' has to involve reducing demand on the planet's resources.

Horizon 2020, ahead of many other budget areas, has a clear approach to green issues. It is proposing a wide range of policies and funds which aim to tackle climate change, energy, and environmental problems from a variety of angles. A closer look at how these green issues will be addressed in practice, however, raises as many questions as it answers. There appears in many of the priority areas to be potential conflicts of interest between added value, growth, and green issues. Until we know how the funding of each area will be divided, we will not know whether climate change and environmental sustainability will be sacrificed for the other aims. This will likely depend on who drives the agenda and what their priorities are.

European Institute of Innovation and Technology (EIT)

The EIT is described in the latest communication as 'the heart of the new Horizon 2020 Framework Programme'³⁴. The programme is intended to connect research institutes, educational facilities and businesses to make the most of their shared knowledge on tackling societal challenges, so-called Knowledge Innovation Communities (KICs). These will be introduced in two phases, both of which make reference to sustainability. The first includes the theme of 'food4future', which aims to create an entirely sustainable food chain, and 'raw materials', described as 'sustainable exploration, extraction, processing, recycling and substitution of raw materials'³⁵. The second phase of KICs, which will be established in 2018, lists 'added value manufacturing' - 'developing more competitive, sustainable and environmentally-friendly manufacturing processes' - and 'urban mobility (delivering a greener, more inclusive, safer and smarter urban mobility system)'.³⁶ There is, as with much of Horizon 2020, a possible conflict with the second aim of developing competitive and sustainable and environmentally-friendly manufacturing. If sustainability, for example, affects the competitiveness of these manufacturing processes, which will be sacrificed? Competitiveness can be easily quantified through a direct comparison with competitors, while there is no indication of how the level of sustainability will be measured. In this situation, it would be much easier to reduce the focus on environmentally-friendly and sustainable practices in favour of competitiveness without appearing to do so.

Global Monitoring for Environment and Security

The Commission has proposed a fund of €5.8 billion for Earth observation to be funded outside of the next Multiannual Financial Framework. This means that Member States will contribute to the fund in a similar way to the European Development Fund with contribution based on Gross National Income. The proposed €5.8 billion marks a significant increase in funding. From the beginning of GMES in 1998 up to the allocated funds until 2013 the budget was only approximately €3.2 billion. Reasons given for this increase include the need to compete with the funding provided from the Brazil, Russia, China, India, and South Africa bloc (BRICS) and the increasing importance of earth observation. There are references in this document to the environment. Indeed it is included in the name of the programme³⁷. However, the potential benefits to climate change and environmental challenges have not yet been recognised. Being able to track environmental changes on a global level could greatly increase our knowledge and understanding which could, in turn, shape more informed decisions on how we tackle these challenges. This needs to be officially laid out in the changes to GMES to ensure they are a priority of the programme and a consideration in how the funding is distributed.

2. Sustainable Growth: Natural Resources

Common Agricultural Policy (CAP)

When reading these two documents - (l) and (m) - four main topics arise in relation to green issues. The first, referred to in QCEA's first Briefing Paper on the 2014-2020 MFF, is that the new CAP funding is conditional on 30 per cent of payments being used 'specifically for the improved use of natural resources'³⁸. This is the first time that such a requirement has been applied to the CAP, a notoriously difficult budget area to impose change upon, and is therefore a positive move by the Commission in recognition of the need to increase sustainability. As the Commission points out, measures such as preserving natural reservoirs and landscapes 'are practical, simple to implement and will have a genuine ecological effect'³⁹. However, if such measures are so 'simple', why is 100 per cent of the budget not dedicated to environmentally sustainable farming? The full budget allocation for CAP in the next MFF is €281,825 billion - this means that €197,278 billion of funding is not dependent on practices which involve improved use of natural resources.

The second key point here is that the focus of the CAP contribution to the 'fight against climate change' is on biodiversity⁴⁰. Biodiversity is absolutely an important part of greening the EU budget, but over-emphasising it to the detriment of other areas such as greenhouse gas emissions reduction and a reduced dependency on non-renewable energy sources is failing to fully address the issue. Diversity in the rural sector is indeed important, but what is needed is a change of attitude towards completely sustainable and environmentally friendly practices if the CAP is to truly contribute to the Europe 2020 strategy.

The new CAP budget is split into two Pillars. Part of the aim of Pillar II - Rural Development - is to promote 'the diversification of economic activity and quality of life in rural areas'⁴¹. This is a positive step towards moving some of the focus of CAP towards increasing biodiversity and improving rural neighbourhoods. However, the concern here is that this

Pillar is 'largely voluntary'⁴²; meaning that protection of Europe's rural areas - so important to the green agenda - is not guaranteed in the new budget.

Finally, the second document, 'Common Agricultural Policy towards 2020', suggests three possible methods of approaching the new CAP budget: adjustment, integration, and re-focus.

The adjustment scenario would not make any fundamental changes to the current CAP, instead making small adjustments where needed. This scenario would lead to the redistribution of direct payments allowing higher support for more environmentally friendly agricultural practices. However, the increased economic pressure caused by the adjustment model, which does not fully take into account changes since the last CAP budget was decided, 'would likely drive towards intensification of production in the most fertile regions', ignoring the environmental impacts of this⁴³. The Commission concedes the weaknesses with this scenario, explaining that there are 'serious doubts as to whether the adjustment option can adequately address the important climate and environmental challenges in the future'.⁴⁴

The integration scenario involves introducing new elements into the budget structure as well as making changes to existing policy areas. This would include a 'greening component' to 'promote certain basic environmental practices throughout the EU' and providing the conditions under which farmers 'would be better able to face upcoming economic and environmental challenges'⁴⁵. Here, then, green issues are directly referred to. Again, however, the Commission admits to the limitations of the scenario.

*The challenge is how to design such greening so as to reap considerable environmental and climate change benefits and assure the sustainable use of natural resources without undermining territorial balance throughout the EU as well as the long-term competitiveness of the agricultural sector and unduly complicating the management of direct payments.*⁴⁶

The concern that increasing the focus on green issues will decrease competitiveness is often referred to by the Commission. However, as environmental and climate issues increase, then a focus on reducing the impact of these issues would be a sound investment for the future making EU agriculture more rather than less competitive. The 'greening component' also works to 'free up funds in rural development to be deployed towards more sophisticated agri-environmental and climate focused measures'⁴⁷.

The final scenario suggested by the Commission is the re-focus scenario which appears to contradict the concern of green issues reducing competitiveness.

*The re-focus scenario narrows down the focus of policy intervention of the CAP to environmental and climate change aspects while it is assumed that production capacity can be maintained without support through the reliance on market signals and the objective of contributing to the vitality of rural areas and territorial balance would be met by other Community policies.*⁴⁸

This appears initially to be the most positive scenario for the green agenda. However, the document goes on to explain that the re-focus on environment and climate change would

alleviate the problems caused by other areas of this scenario: namely, production 'intensification in the most fertile regions and land abandonment in less advantageous areas'. While the re-focus scenario would help counter the environmental effects of this, it 'would not contribute to enhancing the sustainability of agriculture over the whole EU'⁴⁹.

Each of the scenarios suggested addresses green issues in different ways, yet none appears to fully integrate climate change and environmental sustainability into the CAP. The Commission, and indeed the Council, need further investigation into how this can be achieved throughout the CAP while alleviating the concerns of Europe's farmers.

Maritime and Fisheries Policy

In A Budget for Europe 2020 - Part II: Policy Fiches, the Commission writes that it will

*shortly propose a radical reform of the Common Fisheries Policy (CFP) which will lead to fundamental changes in the way fisheries are managed in order to ensure the sustainable exploitation of fish resources and the future of fisheries in Europe.*⁵⁰

That document briefly outlined what the reform would include and this new communication provides clarification. The new European Maritime and Fisheries Fund (EMFF) will receive a proposed €6.5 billion during the next MFF. A key aim of this fund is to 'help fishermen in the transition towards sustainable fishing'⁵¹. This aim is furthered by a new focus on 'data collection, monitoring and control'⁵². The EMFF will work to connect fishermen and marine scientists so that they can work together 'to find ways to exploit natural resources in a sustainable manner'⁵³. The use of the word 'exploit' here is indicative. Proposals for the next MFF certainly make important steps towards increasing sustainability and tackling climate change, but there remains a lot to be done to change the more fundamental attitudes to natural resources and green issues. This is, however, an encouraging step which will, we hope, go some way towards addressing the pressing concerns of the environment, climate change and sustainability with the long-term goal of finding real solutions to fully climate proof EU fisheries.

3. Security and Citizenship

Consumer Programme

In QCEA's previous Briefing Paper we note with concern that the proposed budget for Health and Consumers contains 'no reference to energy issues, nor is there any reference to climate change'⁵⁴. This has, to a small extent, been addressed in the latest communication. Sustainable growth is now a specific concern which the budget for the Consumer Programme aims to address. More specifically, this involves 'moving towards more sustainable patterns of consumption'⁵⁵. The first objective of the budget also refers to green issues. Entitled 'safety', this objective includes 'setting up an advisory structure of Scientific Committees and experts in the field of consumer safety, public health and the environment'⁵⁶. While only a brief reference, environmental research is vital in all areas of the European Union budget to ensure a full understanding of the environmental impact of each policy area.

Employment and Social Policy

This new document is in the form of Questions and Answers on the new budget for the EU regional, employment and social policy in the next MFF. While the reference here is brief and seemingly trivial, it is still important to include it in this analysis to highlight both the attempt to include the green agenda into all areas of the proposed MFF for 2014-2020 and the limitations of such a policy. In a question on what has changed in the area of 'urban development' the answer includes a new aim:

*The objective is to focus on sustainable urban development, with the Commission proposing that each Member State earmark a minimum 5% of its ERDF allocation to "integrated actions".*⁵⁷

Urban development is a huge area of investment, especially in the newest EU Member States. The reference here to making it sustainable is, therefore, crucial to the green agenda and is a welcome, though minor, inclusion.

4. Global Europe

External Action

The various budget instruments involved in External Action are examined in detail in another [OCEA Briefing Paper](#). The focus here is simply on the references to green issues within these budget areas. The first inclusion of the green agenda is in the acknowledgement that issues such as climate change and biodiversity 'require multi-lateral solutions'⁵⁸. EU external action is, therefore, a key area where a huge impact on these issues can be made and this is recognised by the Commission which writes that the EU has 'the ambition to allocate at least 20% of its budget to contribute to a low-carbon and climate-resilient society and to mainstream action on climate and biodiversity throughout its external instruments'⁵⁹. This wide approach to green issues is also mentioned as part of the EU Added Value ambition as greater efforts can be made to combat 'climate change, environmental protection and energy security' if they are made on a global scale⁶⁰.

Secondly, there is reference to these issues in the section on the Development Cooperation Instrument (DCI). This policy focuses on 'combating poverty' with particular emphasis on 'fostering sustainable economic, social and environmental development'⁶¹. Focusing such funding on environmental concerns and climate change is crucial for developing economies and societies. Changing already fixed attitudes and economic structures is a greater challenge than ensuring green issues are central from the start. More specifically, the DCI aims to devote at least 25 per cent on 'climate change and environment objectives to reach the objective of the Europe 2020 strategy'⁶².

Similar reference is made in the section on the Instrument for Pre-accession Assistance (IPA) in relation to achieving the Europe 2020 objectives. While this may be more challenging in countries which often face large financial, social and political difficulties, it is important that the necessary tools for achieving these objectives are in place from the beginning of their EU membership.

EU Relations with Greenland and the Kingdom of Denmark

The areas of cooperation between the EU and Greenland are largely environmental. References to green issues are, therefore, crucial. The Commission Proposal begins by outlining broad areas of cooperation which include 'Global issues such as energy, climate change and environment, natural resources'⁶³. The paper acknowledges that global issues 'such as the increasing impact of climate change on human activity and the environment...has increased the geostrategic importance of Greenland'⁶⁴. It is therefore vital that EU-Greenland relations centre on green issues of global significance.

More specifically, four of the six areas of cooperation within this partnership include references to green issues: 'natural resources'; 'energy, climate, environment and biodiversity'; 'international cooperation on...exploitation of natural resources'; and 'research and innovation in areas such as energy, climate change, disaster resilience, natural resources...and sustainable use of living resources'⁶⁵.

When considering the options available for a new partnership between the EU and Greenland, the document considers having no partnership and making no change to the existing partnership^{iv} but chooses the third option:

*The option of a revised partnership that takes account of the geostrategic importance of Greenland in the context of global issues, such as global warming, natural resources, including raw materials, and the emerging international awareness towards Greenland, while allowing for the EU to fully project its interests and policies abroad.*⁶⁶

This third option is based on the recognition from the Commission that the impact of climate change on all areas of human interest is 'increasing' and that this 'calls for dialogue and enhanced cooperation'⁶⁷. Greenland is hugely important in addressing the green issues affecting the world and this acknowledgement is very positive. This is then reflected in Article 1 of the document, the 'subject matter and scope' of the partnership which includes 'supporting the sustainable development of the Greenlandic society' and addresses 'the issues of exploration and exploitation of natural resources'⁶⁸.

The success of this partnership agreement is therefore closely tied to the success of preserving and improving Greenland's environment.

3. Recommendations

The above analysis is not the final word on the EU budget. It is intended as a summary of the green priorities currently proposed in the MFF for 2014-2020. These Commission proposals now need to be discussed - as is already underway - by the Council and within Member States as well as by the European Parliament. What follows are a number of recommendations

^{iv} The existing partnership is primarily concerned with the development of Greenland and the fisheries.

which we hope will influence the decision making and have a bearing on the final MFF for 2014-2020.

What is evident in a number of the policy areas is that too much is collected together under the same umbrella without consideration of how different priorities may affect each other. The priorities under the European Institute of Innovation and Technology (EIT) are a clear example of this. Manufacturing processes which are competitive and sustainable and environmentally-friendly seem to tick all the boxes. However, without a clear division of funding within this or specific funds allocated to each priority, it would be far too easy to sacrifice environmentally-friendly practices for the sake of ensuring competitiveness, especially as the economic recession continues to impact heavily on decision-makers. When the specific details of the budget are decided upon in 2012 and 2013, these priorities need either to be finely defined or disaggregated to ensure green issues are a fundamental aspect of the MFF, not merely referred to in passing.

Following on from this is the common desire within the EU to want it all: added value, growth, competitiveness, and environmental sustainability. This is naive. Achieving the 20-20-20 goals will require bold, fundamental, and often difficult changes. Even with this approach the EU budget can only have a limited effect on green issues. The planned transport projects within the Connecting Europe Facility are a clear example of this. The majority of the planned networks are rail and waterways. This is certainly a positive step for the green agenda as it moves transport concentration away from the heavily polluting roads and airways, but it does not go far enough. An article from the European Parliament on TEN-T sums it up: 'MEPs want to make transport more efficient, removing bottlenecks and bringing a greener touch to transport policies'.⁶⁹ Instead of looking at how to reduce our dependency on transport and tackling the increasing trend of moving supply further and further away from demand, the budget proposals simply paint a thin green coat on a heavily polluting aspect of the MFF. This problem is enhanced when we consider that the transport networks put in place now will have very long-term effects on our CO₂ emissions and an irreversible impact on our environment, especially as EU membership increases.

A third area of concern is those funds which are conditional on a percentage spent on green issues: the Common Agricultural Policy (CAP) and European Regional Development Fund (ERDF) are both examples of this with 30 per cent and 50 per cent respectively. It is obviously necessary that green issues are incorporated into all areas of the MFF, and this is an important step towards achieving that. However, this conditionality may foster an assumption that it is enough simply to allocate some money to environmentally sustainable practices, without any need for substantial changes. This is not enough. The EU needs to include green issues throughout the MFF, reducing, reversing or removing the negative effects on the climate and environment where and how it can.

We also need to consider that the budget proposed by the Commission still needs to be approved by the European Council. A meeting of the General Affairs Council in November 2011 discussing the CAP and the Connecting Europe Facility (CEF) highlighted the difficulties with getting Member State approval for changes to the budget.⁷⁰ While the majority of Member States recognised that the CAP direct payment system needed some form of greening, few advocated the proposed 30 per cent. Concern about the green 30 per cent included "the disproportionate costs of greening measures"; doubts that this "would have

any clear environmental effects"; and that "the proposals are complex and costly". Only Denmark advocated more of a focus on "policies that underpin the green agenda" and argued that "this is only possible if we have the courage to make real change". Member States recognise that green issues need to be addressed but are, largely, reluctant to make the necessary sacrifices.

What is often forgotten or not understood is that making the EU budget greener does not simply mean reaching the 20-20-20 goals. Its benefits are much more far-reaching. By putting in place important environment and climate safeguards now we have the opportunity to save money; preserve vital resources; and lead the way in research and technology. Member States need to embrace the Commission's proposals and recognise the benefits of addressing green issues in the budget now. Member States also need to accept that this is only a start.

We recognise the efforts of the Commission to include green issues throughout much of the proposed budget for 2014-2020. Dividing up €1,083,316 into policy areas which most benefit the 500 million EU citizens is a huge task. Considering the significant differences between Member States, creating a budget which pleases all is highly unlikely. What we are advocating is that the green aspects of the MFF are safeguarded against possible conflicts of interest; that they work in practice and not just on paper; that they lead to fundamental changes in heavily polluting areas; and that Member States recognise the need to address green issues effectively now.

4. Appendix

Multiannual Financial Framework Commission Documents

A comprehensive list of the Commission documents referred to in this Briefing Paper

General:

[Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A budget for Europe 2020](#)

[Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A budget for Europe 2020 - Part II: Policy fiches](#)

[Budget review: Lessons learnt for tomorrow's budget](#)

Specific Policy Areas:

['Cohesion Policy 2014-2020: Investing in growth and jobs'](#)

['Connecting Europe Facility: Commission adopts plan for €50 billion boost to European networks'](#)

['A growth package for integrated European infrastructures'](#)

['Guidelines for trans European telecommunications networks and replacing Decision No 1336/97/EC'](#)

['Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A pilot for the Europe 2020 Project Bond Initiative'](#)

['Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Horizon 2020 - The Framework Programme for Research and Innovation'](#)

['Commission Staff Working Paper Impact Assessment. Horizon 2020'](#)

['Proposal for a Regulation of the European Parliament and of the Council establishing an action programme for customs and taxation in the European Union for the period 2014-2020 \(FISCUS\) and repealing Decision No 1482/2007/EC and No 624/2007/EC'](#)

['European Institute of Innovation and Technology \(EIT\) to create more innovation hubs'](#)

['€5.8 billion proposed to fund the European programme for Earth observation'](#)

['The European Commission proposes a new partnership between Europe and the farmers'](#)

['Common Agricultural Policy towards 2020'](#)

['A new European Fund for the EU's Maritime and Fisheries Policies'](#)

['Proposal for a Regulation of the European Parliament and of the Council on a consumer programme 2014-2020'](#)

['Q & A on the legislative package of EU regional, employment and social policy for 2014-2020'](#)

['Joint Communication to the European Parliament and the Council Global Europe: A New Approach to financing EU external action'](#)

['Proposal for a Council Decision on relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other'](#)

Other Documents:

[Civil Society Contact Group Statement on European Commission Communication on the Budget Review](#)

[‘Significant boost in EU support for the environment and climate through the new LIFE programme’](#)

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