BRIEFING

The European Green Deal and cohesion policy

SUMMARY

In line with its commitments under the Paris Agreement on climate change, in 2019 the EU adopted an ambitious strategy for reaching climate neutrality by 2050: the European Green Deal. The significant reduction of greenhouse gas emissions needed to achieve it will require profound social and economic changes, while ensuring a socially fair and just transition.

As climate change is linked to the greenhouse effect, the EU's actions for reducing emissions involve greening high-emissions sectors such as fossil fuels-based energy, transport, agriculture, manufacturing and waste management. Triggered by climate change, heatwaves, water stress, wildfires, coastal flooding and extreme weather events affect EU regions with varying degrees of severity and will require a tailored approach to mitigation.

The transition towards climate neutrality cannot be achieved through environmental policies alone. Cohesion policy, which accounts for about one third of the EU budget, supports this process by earmarking funding for climate action, for 'climate proofing' investments and for implementing specific actions in EU regions. In addition to the traditional cohesion policy funds (European Regional Development Fund, Cohesion Fund and European Social Fund Plus), a new Just Transition Fund will support the transition in regions relying on fossil fuels and high-emissions industries over the period of 2021-2027. Moreover, one out of the five cohesion policy objectives in the current funding period is entirely dedicated to a greener Europe and fosters investment in clean energy, the circular economy, climate change mitigation and sustainable transport. As the main goal of cohesion policy is to prevent the widening of disparities, it can thus help support those regions that bear the heaviest burden of the transition and make sure that no region is left behind.

Local and regional authorities across the EU are also working together to tackle climate challenges by participating in the European Climate Pact and in initiatives such as the Covenant of Mayors for Climate and Energy, Mayors Alliance for the European Green Deal, and Green Deal Going Local.

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Background

The EU has committed to achieving climate neutrality by 2050 and reducing greenhouse gas emissions (GHG) by 55 % by 2030 (compared to 1990 levels). Its new strategy – the European Green Deal – contains a set of policy initiatives and legislative proposals that chart the path towards reaching this goal. In the 2021-2027 budgetary period, at least 30 % of the total EU budget and the Next Generation EU instrument will contribute to climate-related action. The roadmap under the Green Deal provides for measures such as the European Climate Law (adopted in 2021), achieving energy efficiency in buildings, establishing the circular economy, protecting biodiversity and decarbonising the transport and the energy sector. However, the transition to climate neutrality will require tangible actions as well as resources.

From the regional point of view, climate change brings multiple challenges, such as extreme weather events (e.g. heatwaves and heavy rainfall), droughts, wildfires, reduced availability of fresh water, biodiversity loss, sea-level rise and floods, such as those seen in July 2021 in Belgium and Germany. These environmental hazards also bring socio-economic consequences in the affected regions and increase the risk of cross-border migration, as people are forced to leave their homes. As climate change is believed to be mainly caused by the greenhouse effect, the EU aims to cut its greenhouse gas emissions. The main sources of emissions are fossil fuels (coal in particular), transport, industrial processes, agriculture and waste management. EU climate action is thus aimed at greening these sectors.

The European Green Deal acknowledges the importance of involving regional and local communities in the efforts towards climate neutrality. In a similar vein, Article 7 of the Paris Agreement on climate change recognises that 'adaptation is a global challenge faced by all with local, subnational, national, regional and international dimensions'. According to a 2020 opinion by the European Committee of the Regions, '70 % of climate change mitigation and up to 90 % of climate change adaptation measures are undertaken by local and regional authorities'. It is thus clear that national governments cannot implement the green transition alone and the involvement of a broad range of stakeholders is indispensable.

EU cohesion policy can help to both mitigate the effects of climate change and invest in the green transition, by providing for actions aimed at phasing out fossil fuels, achieving sustainable transport and promoting the circular economy. In the 2021-2027 financing period, the policy also includes a new Just Transition Fund supporting the transition in high-emissions regions. As cohesion policy interventions aim to reduce territorial imbalances, they are designed to make sure that the green transition is fair and no region is left behind.

European Green Deal

The European Green Deal is a European Commission strategy aimed at making Europe the first climate-neutral continent. It is also one of Commission President Ursula von der Leyen's six political priorities. The details of this strategy are laid out in a Commission communication of December 2019, accompanied by an annex containing a roadmap with key actions. The actions relate to climate, energy, the circular economy, transport, biodiversity, sustainable finance, agriculture, and the mainstreaming of sustainability in all EU policies. Specific initiatives include the (newly adopted) European Climate Law, the introduction of a carbon border tax, the buildings Renovation Wave, the 'Farm to Fork' strategy, the biodiversity strategy, the forest strategy, the Just Transition Mechanism, and the European Climate Pact. In July 2021, the Commission presented its 'Fit for 55' package of legislative proposals, which refers to an emission reduction target of at least 55 % by 2030, an intermediary goal on the way to climate neutrality by 2050.

The way the Green Deal will be funded is described in the Sustainable Europe Investment Plan (the European Green Deal Investment Plan). The plan mentions cohesion policy as one of the EU budget sources that can help fund investments in climate- and environment-related projects.

The European Climate Pact was launched in December 2020. It invites national, regional and local authorities, civil society, industry and educational institutions to participate in climate action and agree on commitments to change behaviour.

Cohesion policy design in 2021-2027

EU cohesion policy aims to strengthen social, economic and territorial cohesion across the EU regions. In the 2021-2027 period, its funding allocation amounts to €392 billion (in current prices), equivalent to roughly a third of the EU budget. Cohesion policy is delivered through four funds: the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Social Fund Plus (ESF+) and the Just Transition Fund (JTF). Moreover, the REACT-EU programme provides additional resources for mitigating the effects of the coronavirus pandemic.[1] While all these funds include funding lines that are important in the context of the European Green Deal, the Just Transition Fund is specifically aimed at those regions that have been most strongly affected by the transition towards climate neutrality, due to their dependence on fossil fuels or greenhouse gas-intensive industrial processes.

Each of the funds is covered by a separate regulation (with the exception of the ERDF and the CF, which are covered by one and the same regulation) adopted as a package in June 2021. In addition, the Common Provisions Regulation (CPR) lays down common rules for these and a number of other EU funds.[2] In 2021-2027, cohesion policy has five policy objectives (POs) that outline the broad funding categories. These **policy objectives** are: 1) A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity; 2) A greener, low-carbon transitioning towards a net-zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility; 3) A more connected Europe by enhancing mobility; 4) A more social and inclusive Europe implementing the European Pillar of Social Rights; 5) A Europe closer to citizens by fostering the sustainable and integrated development of all types of territories and local initiatives. This means that several of the thematic areas supported by cohesion policy funds are directly linked to the goals of the European Green Deal. One of the policy objectives is entirely dedicated to the green transition (PO2), while others support sustainability in enterprises (PO1), sustainable transport (PO3) and reskilling and social inclusion of affected workers (PO4). These policy objectives apply to the ERDF, CF and ESF+, while the JTF has the single objective of supporting regions in addressing the socio-economic and environmental impacts of the transition to climate neutrality.

Sustainable energy and climate action plans

The Covenant of Mayors for Climate and Energy is an initiative bringing together local authorities to develop and implement sustainability policies. Such actions are particularly important, as almost 80 % of the EU population lives in cities, consuming up to 80 % of energy. The covenant complements national climate change strategies, while signatories commit to taking concrete action by implementing sustainable energy and climate action plans (SECAPs). The Commission's Joint Research Centre has published a guidebook helping local authorities prepare such plans.

Source: Joint Research Centre, 2021.

Each Member State prepares a partnership agreement outlining how cohesion funding will be spent and including a list of specific programmes that can cover entire countries or regions. The work is then organised by the managing authorities – bodies appointed by the individual Member States to select, monitor and evaluate the projects that are funded under these programmes. Programme implementation is monitored through annual review meetings between the Commission and each Member State (including the managing authorities). Up-to-date information is also available on the Open Data portal, which gives an overview by theme, fund, country, programmes and projects.

EU funds have to be matched by national co-financing, which varies depending on the fund, goal and category of the region. EU co-financing ranges between 40 % and 85 % for the ERDF and the ESF+ (with some exceptions); between 50 % and 85 % for the JTF; up to 85 % for the CF; and up to 100 % for REACT-EU.[3] The cohesion policy framework ensures that the less developed regions benefit from higher co-financing rates.

Cohesion policy support to the European Green Deal

There are a number of ways in which cohesion policy supports the European Green Deal. These range from funding specifically allocated for climate action, to climate-proofing investments, tracking cohesion policy's contribution to the EU overall budget target for climate-related expenditure, and supporting concrete investments in renewable energy, the circular economy, energy efficiency measures, climate change mitigation and adaptation, sustainable transport and a just transition in high-emissions regions. As the main goal of cohesion policy is to prevent the widening of disparities, it can help facilitate a smoother transition to a green economy by supporting the regions that are the most vulnerable to climate change and the ones bearing the heaviest burden of the transition.

Funding

For the 2021-2027 budgetary period, the EU has set the target of spending at least 30 % of the EU budget and the Next Generation EU instrument (NGEU) on climate-related actions. As a contribution to this overall target and in line with the CPR, 30 % of the European Regional Development Fund and 37 % of the Cohesion Fund will be earmarked for the attainment of the EU's climate objectives. According to a 2021 study by the European Parliament (EP) the total resources earmarked for climate change under cohesion policy (the ERDF, the CF and the ESF+) amount to €77.2 billion, or €83.7 billion if REACT-EU is counted. In addition, the JTF – a new cohesion policy fund in 2021-2027 – has a budget of €17.5 billion (€7.5 billion under the MFF and €10 billion under NGEU) dedicated to regions that are most affected by the transition to climate neutrality.

The contribution of cohesion policy funds to the achievement of the overall EU budget target of 30 % climate-related expenditure is tracked through an EU climate marker system.[4] The methodology assigns weights to interventions depending on their contribution towards the climate objectives: significant (100 %), moderate (40 %) or insignificant (0 %). This system is similar to the one used in 2014-2020. Weights are assigned to the dimensions and codes for each intervention laid out in Annex I to the Common Provisions Regulation 2021-2027, i.e. each intervention has a corresponding coefficient for the calculation of support to climate change objectives (100 %, 40 % or 0 %). The earmarking of funds and tracking of climate spending are thus important instruments for enhancing the environmental performance of cohesion policy.

Actions

While the Common Provisions Regulation 2021-2027 does not mention the European Green Deal explicitly, it underlines the 'importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals'. It furthermore states that cohesion policy funds 'should contribute to **mainstreaming climate actions**' and achieving the 30 % budget target of climate spending. The regulation goes on to specify that the funds should 'support activities that would respect the climate and environmental standards and priorities of the Union and would do no significant harm to environmental objectives'[5] and that synergies in terms of environmental investments should be ensured with the Programme for the Environment and Climate Action (LIFE), the projects funded under Horizon Europe and other EU programmes. Moreover, in preparing partnership agreements and programmes, the Member States are obliged to take into account their national energy and climate plans outlining how the issues of energy efficiency, renewables, GHG emission reduction, electricity interconnections and R&D will be addressed. Thus, cohesion policy is strongly geared towards achieving the EU's climate- and environment-related objectives.

The 2021-2027 cohesion policy framework also includes the new concept of **climate-proofing**, i.e. preventing 'infrastructure from being vulnerable to potential long-term climate impacts whilst ensuring that the 'energy efficiency first' principle is respected and that the level of greenhouse gas emissions arising from the project is consistent with the climate neutrality objective in 2050' (Article 2 of the CPR). Adequate mechanisms to ensure the climate-proofing of supported investment in infrastructure should be an integral part of programming and implementation of the funds (recital 10 of the CPR). In selecting operations to be funded, the managing authorities must 'ensure the climate proofing of investments in infrastructure which have an expected lifespan of at least 5 years' (Article 73 of the CPR).

Toolkit for supporting sustainability transitions under the European Green Deal with cohesion policy

In 2021, DG REGIO published a toolkit to help national and regional decision-makers translate the goals of climate neutrality into concrete tools, methodologies and steps to be implemented in the context of the EU's cohesion policy. The toolkit shows how cohesion policy can help regions manage sustainability transitions, focusing on building strategic visions, developing territorial investment strategies and monitoring impact. It also provides policy recommendations, for instance, on using green public procurement, phasing-out unsustainable technologies, and meeting and exceeding thematic concentration targets.

Source: European Commission, 2021.

As seen in the section on cohesion policy in 2021-2027, the current framework includes five policy objectives, i.e. funding priorities. Two of them are particularly relevant to the implementation of the European Green Deal. **Policy objective 2 on a greener Europe** is directly related to the climate neutrality goal, as it will support 'a greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility'. **Policy objective 3 on a more connected Europe** also includes elements relevant to climate change, such as climate-resilient and sustainable transport. Specific objectives and scopes of support under these objectives are established in the regulations on each of the cohesion policy funds.

Under policy objective 2, the European Regional Development Fund (ERDF) will support promoting energy efficiency and reducing greenhouse gas emissions; promoting renewable energy; developing smart energy systems, grids and storage outside the Trans-European Energy Network (TEN-E); promoting climate change adaptation and disaster risk prevention and resilience; promoting access to water and sustainable water management; promoting the transition to a circular and resource efficient economy; enhancing the protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution; and promoting sustainable multimodal urban mobility, as part of the transition to a net-zero carbon economy.

Over the 2021-2027period, the Cohesion Fund is covered by the same regulation as the ERDF and has the same specific objectives as the ERDF under policy objective 2. Both funds also support policy objective 3 on a more connected Europe. The specific objectives under PO3 include: developing a climate resilient, intelligent, secure, sustainable and intermodal TEN-T; and developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility.

While the Cohesion Fund supports objectives 2 and 3 (i.e. a greener Europe and a more connected Europe), the ERDF supports all five cohesion policy objectives (i.e. in addition to objectives 2 and 3 it also supports policy objective 1 on smart Europe, policy objective 4 on social Europe and policy objective 5 on a Europe closer to citizens). While in the context of the European Green Deal it is policy objective 2 that is the most relevant, it is worth mentioning that the **thematic concentration** requirement ensures that a proportion of ERDF funding is reserved for policy objectives 1 and 2 (i.e. a smart Europe and a greener Europe). This percentage depends on the gross national income (GNI) of the Member State or the category of the region.[6] Thematic concentration thus facilitates channelling a part of cohesion policy funding towards meeting the EU's green targets.

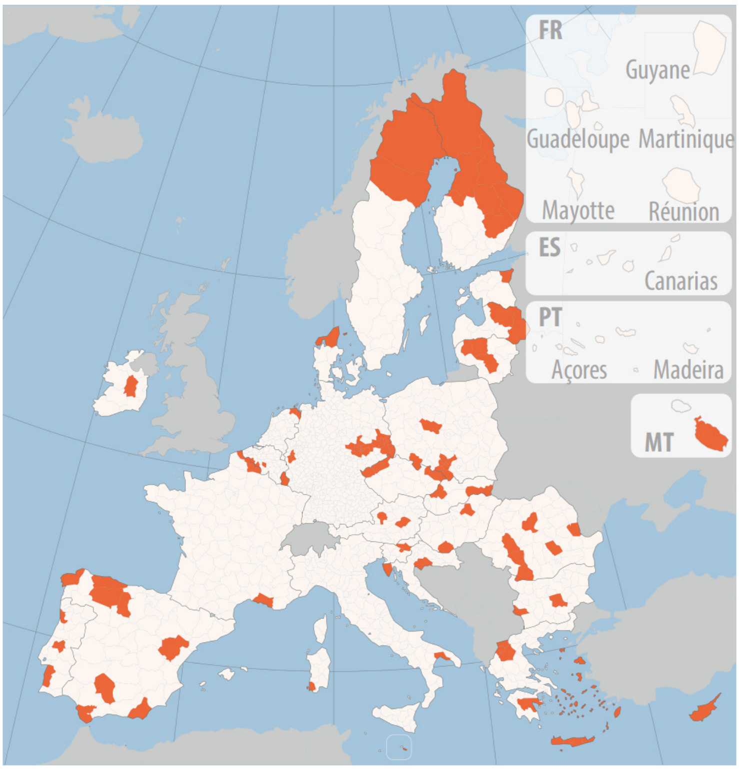
Table 1 – ERDF thematic concentration

Criteria for ERDF funding	Minimum % PO1	Minimum % PO2
GNI above 100 % or more developed regions	85 % (PO1 + PO2 jointly)	30 %
GNI 75-100 % or transition regions	40 %	30 %
GNI below 75 % or less developed regions	25 %	30 %

Data source: Article 4 of the ERDF and CF Regulation.

The European Social Fund Plus[7] also contributes to mainstreaming climate action in cohesion policy. While it contributes mainly to policy objective 4 on social Europe, it also contributes to PO1 on a smarter Europe, and – what is most relevant in the context of the Green Deal – to PO2 on a greener Europe through 'the improvement of education and training systems necessary for the adaptation of skills and qualifications, the upskilling of all, including the labour force, the creation of new jobs in sectors related to the environment, climate, energy, the circular economy and the bioeconomy' (Article 4 of the ESF+ Regulation).

Figure 1 – Preliminary list of territories eligible for JTF funding



Source: EPRS, 2020.

The REACT-EU programme (Recovery Assistance for Cohesion and the Territories of Europe) complements cohesion policy funding with a budget of €47.5 billion with the aim to enable the recovery from the consequences of the coronavirus pandemic. While it primarily targets sectors affected by the pandemic, 25 % of its overall financial envelope is expected to contribute to EU climate objectives.

The Just Transition Fund (JTF) has one specific objective of 'enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union's 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, based on the Paris Agreement'. It targets the regions that are being most strongly affected by this transition, in particular those relying on fossil fuels and high-emission industries. The fund supports a wide range of investments, for instance, in activities on the deployment of clean technologies, GHG emission reduction, renewable energy, decarbonisation of local transport, improvement of the energy efficiency of district heating networks, regeneration of brownfield sites, the circular economy, and the upskilling of workers. The Member States can top up the JTF funding with resources from ERDF and ESF+. While the JTF is considered one of the cohesion policy funds for the 2021-2027 period, it is also part of a broader Just Transition Mechanism, laid out in the Commission communication on the European Green Deal. The main goal of this mechanism is to alleviate the socio-economic impact of the transition towards climate neutrality. Besides the JTF, it has another two components aimed at attracting public and private funding for green investments: the Public Sector Loan Facility and a 'just transition scheme' under the InvestEU programme.

Climate action funding in 2021-2027 as compared to 2014-2020

Even though the previous cohesion policy period predates the European Green Deal, climate and sustainability goals were already a part of its objectives and interventions. According to an EP 2021 study on Cohesion policy and climate change, about €56.5 billion (roughly 15.9 % of total cohesion policy funds) was dedicated to climate action under the 2014-2020 cohesion policy (the ERDF, the CF and the ESF). In 2021-2027, the cohesion policy budget is lower than previously (€330 billion vs €355 billion in 2018 prices, see Table 2), but the amount planned for climate change has increased to €77.2 billion, which corresponds to about 25 % of total cohesion policy resources.[8] This is a significantly higher share than previously, and the resources dedicated to climate are even bigger if the Just Transition Fund and REACT-EU are counted.

Table 2 – Comparison of mandatory climate spending between 2014-2020 and 2021-2027

	2014-2020	2021-2027
Cohesion policy budget	approximately €355 billion (33 % of MFF)	approximately €330 billion (31 % of MFF)
Climate action share	20 % of the EU budget	30 % of the EU budget
Minimum spending by region type	• Less developed: > 12 % • Transition: > 15 % • More developed: > 20 %	• Less developed: > 30 % • Transition: > 30 % • More developed: > 85 %

Source: EP study, 2021.

In 2014-2020, cohesion policy had 11 thematic objectives: research and innovation, digital technologies, SMEs, low-carbon economy, climate change adaptation, environmental protection, sustainable transport, employment, social inclusion, and education and training. The abovementioned 2021 EP study estimates that most climate-related resources were allocated to energy efficiency renovation of public infrastructure (16.6 %), adaptation to climate change and risk prevention (11.4 %), clean urban transport (9.1 %) and energy efficiency in existing housing stock (8.2 %).

A 2020 European Court of Auditors (ECA) report on Tracking climate spending in the EU budget recognised an improved climate focus of cohesion policy funds but warned against allowing expenditure with potentially harmful impact on climate change, e.g. support to the fossil fuels sector – such as gas – even if it is contingent on reducing emissions.

European Parliament

The Parliament's 2018 resolution on the role of EU regions and cities in implementing the Paris Agreement on climate change points out that 'local authorities are responsible for implementing the majority of the mitigation and adaptation measures for climate change'. It also stresses the 'key role of cohesion policy in tackling the challenges of climate change at regional and local level' and underlines the urban dimension.

In November 2019, the Parliament adopted a resolution declaring a climate and environmental emergency and calling for concrete EU action.

In its March 2019 amendments to the proposal on the ERDF and the CF, the EP advocated raising the earmarked contributions towards climate objectives to 35 % for the ERDF and to 40 % for the CF, underlining the funds' contribution to the achievement of a circular and low-carbon economy.

Examples of cohesion policy projects

- The Sustainable and affordable urban mobility project in Funchal (Madeira) included the acquisition of electric buses to decrease pollution, reduce consumption of fossil fuels and promote the use of public transport.
- The Energy School project sought to improve the energy efficiency of schools and to teach students and teachers on ways to reduce energy consumption. It was a collaborative project between Austria, Croatia, Germany, Hungary, Italy, Poland and Slovenia.
- The Building with Nature interregional project tested nature-based solutions to preventing flooding and coastal erosion in Belgium, Germany, the Netherlands, Norway, Sweden and Scotland.

Source: European Commission, 2021.

Parliament's January 2020 resolution on the European Green Deal pointed out that 'green transition should be turned into an economic and social opportunity for all regions of Europe', while 'paying particular attention to the most disadvantaged regions' (especially the carbon-intensive ones). It also called for a 'just transition across all EU regions' and considered the role of local and regional authorities (RLAs) instrumental in the implementation of the European Green Deal.

In November 2020, in its amendments to the Just Transition Fund proposal, the Parliament proposed a 'green rewarding mechanism' for countries that reduce their GHG emissions faster. It also insisted on making access to 50 % of JTF resources conditional on the adoption of a national target for achieving climate neutrality by 2050. Both of these changes were included in the final version of the regulation.

Voting on its amendments to the EU Climate Law in October 2020, the EP proposed increasing the 2030 emission reduction target from 55 % to 60 %.

In its resolution of March 2021 on cohesion policy and regional environment strategies in the fight against climate change, the Parliament outlined the necessary steps from a regional perspective and encouraged LRAs to adopt local and regional climate strategies translating EU-level targets into concrete local targets. It also called for a multi-level dialogue among national, regional and local authorities on the planning and implementation of climate measures. Moreover, it suggested adopting an effective methodology for monitoring climate spending and its performance (including in EU regions) and called for better use of cohesion policy resources to achieve climate transition.

European Committee of the Regions

In December 2020, the European Committee of the Regions (CoR) adopted an opinion on the impact of climate change on regions: an assessment of the European Green Deal. It pointed out that '70 % of climate change mitigation and up to 90 % of climate change adaptation measures are undertaken by local and regional authorities'. The CoR believes that a successful implementation of the Green Deal requires a bottom-up approach and compliance with the principle of subsidiarity and proportionality. Furthermore, it calls for 'the recognition of multi-level governance to efficiently link the Green Deal objectives with a green recovery for Europe' and stresses the importance of involving LRAs in the definition and implementation of the national recovery and resilience plans. It reiterates its readiness to set up of a permanent multilevel platform for a multilevel Green Deal dialogue and proposes to work together with the Commission to launch a European regional scoreboard with indicators to measure and monitor the impacts of the Green Deal at the level of regions (NUTS 2) in coordination with the monitoring system used in the eighth environmental action programme.

In June 2020, the CoR has also set up a Green Deal Going Local working group that aims to reinforce the role of cities and regions on the path towards climate neutrality. The group serves as a forum for the exchange of best practices and advice on addressing the challenges LRAs face when implementing the green transition. It also provides a cross-cutting view of the various policy areas within the European Green Deal in order to ensure policy coherence and consistency of the CoR's work.

Stakeholder views[9]

The Cohesion Alliance, a forum for cooperation between European associations of cities and regions and the CoR, in its 2020 'declaration for a cohesive, sustainable and resilient Europe' underlined the role of cohesion policy in pursuing the green transformation. It also pleaded for preserving a long-term approach to investments and ensuring that no region is left behind.

BusinessEurope (Confederation of European Business), in its 2020 input to the public consultation on Europe's 2030 climate target plan, emphasised that 'European businesses stand behind the EU ambition of reaching net-zero greenhouse gas emissions'. However, it highlighted the need to take into account the possible long-term impacts of the coronavirus pandemic and Member State-specific impacts. In its subsequent position paper on Stepping up Europe's climate ambition, it encouraged constructive dialogue on how best to deliver on the Green Deal and called for a better assessment of its impact on economic growth and employment, and its cost impacts on industry. Meanwhile, ETUC (the European Trade Union Confederation), in its 2020 resolution on European Green Deal initiatives called for linking the climate targets with 'strong social requirements and an inclusive governance where workers are actively involved'. It welcomed the Just Transition Fund as an addition to the traditional cohesion policy resources and a way of bringing a social dimension to climate action. It recommended that the fund focus on the economic diversification of the most affected regions, and on investments in measures to reduce energy poverty, improve public infrastructure and support workers and job seekers.

The Assembly of European Regions (AER) underlined the importance of a 'firm multi-level and multi-stakeholder approach' in making the Green Deal a reality and called for policy coherence.

In its 2020 position paper on 'EU climate leadership', Eurocities (a network of over 200 cities in Europe) called for a revision of the 2030 emission reduction target upwards to at least 60 % and encouraged the Commission to increase collaboration with local authorities, as cities are often already leading the way towards climate neutrality. It also emphasised the importance of reinforced financial support to the local level from the new MFF and on tapping into the opportunities of a green recovery, in a just and inclusive way. A 2021 Eurocities initiative, the Mayors Alliance for the European Green Deal, sets itself the goal to encourage cities to collaborate for achieving climate neutrality and sustainable development. The Mayors Alliance emphasises the need to phase out fossil fuelled vehicles, increase the deployment of alternative fuels and charging infrastructure, incentivise the construction of near-zero emission buildings and the renovation of old buildings, support vulnerable groups and energy-poor households, and improve the energy infrastructure in cities, among others.

Outlook

Climate objectives will remain central in the 2021-2027 cohesion policy programming period. The funding allocations for climate action, the climate proofing of investments and the concrete interventions implemented in the regions ensure synergies with the European Green Deal. It is important to note that the start of the new budgetary period also coincides with the recovery from the coronavirus pandemic. As the Commission prioritises a green and digital recovery, the synergies of cohesion policy with the national recovery and resilience plans funded from NGEU are also crucial in the context of the wave of green investments.

Which specific actions will be supported at national and regional level remains to be seen as cohesion policy projects start being rolled out in the coming years. The preparation of the territorial Just Transition plans needed for the implementation of the Just Transition Fund targeting regions most affected by the transition to climate neutrality, is also still under way. The impact of cohesion policy will be visible through the tracking of its contribution to the EU budgetary target of 30 % climate spending and other relevant evaluations of its operations. However, as only part of the funding goes towards green objectives and cohesion policy resources are limited compared to the financing needs for climate investment, the policy may prove to have more of a catalyst effect, such as attracting additional public and private funding, raising awareness of climate issues, stimulating innovation and technology diffusion in lagging regions and fostering cooperation between regional authorities. It therefore remains to be seen what the exact impact of cohesion policy support on achieving the ambitious goals of the European Green Deal will be and whether it will be sufficient to tackle the challenges of the green transition and tap into its potential.

A transition towards climate neutrality can only be successful if a broad range of stakeholders is involved. Cohesion policy brings together local and regional authorities, citizens and businesses, offering a place-based approach tailored to reality on the ground. The design of the policy, its targeted funding and supported actions have the common aim to ensure that no country or region is left behind.

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ENDNOTES

[1] Funding for REACT-EU is available only in 2021-2023. In force since December 2020, the REACT-EU Regulation, among other things, allows retroactive eligibility of expenditure from 1 February 2020 and provides that projects eligible for support under REACT-EU may be selected up to the end of 2023. The REACT-EU budget comes from the Next Generation EU instrument and is thus not part of the core EU budget (the MFF).

[2] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

[3] The co-financing rates for all funds are established in Article 112 of the Common Provisions Regulation of 2021. The co-financing rates for the ERDF and the ESF+ under the investment for jobs and growth goal of cohesion policy are: 85 % for the less developed regions; 70 % for transition regions that were classified as less developed regions for the 2014-2020 period; 60 % for the transition regions; 50 % for more developed regions that were classified as transition regions or had a GDP per capita below 100 % for the 2014-2020 period; and 40 % for the more developed regions. Co-financing for ERDF under the Interreg goal (i.e. European territorial cooperation) can be up to 80 % (except in the case of the outermost regions and external cross-border cooperation, when it can be higher). Co-financing for the ESF+ can be up to 90 % for the most deprived persons. The co-financing rates for the JTF are: 85 % for less developed regions; 70 % for transition regions; and 50 % for more developed regions. The co-financing rate for the Cohesion Fund can be up to 85 %, while the fund itself is available only to Member States with a per capita GNI below 90 % the EU-27 average, which concerns 15 countries in the 2021-2027 period: Bulgaria, Czechia, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

[4] Adapted from the Rio markers developed by the OECD.

[5] The principle of 'do no significant harm' is laid out in detail in Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation). Article 17 of this regulation establishes the criteria of significant harm, against which economic activities can be assessed.

[6] The Common Provisions Regulation of 2021 establishes the following categories of regions at NUTS2 level: less developed regions with GDP per capita below 75 % of the EU average; transition regions with GDP per capita between 75 % and 100 % of the EU average; and more developed regions with GDP per capita above 100 % of the EU average. The NUTS classification (Nomenclature of Territorial Units for Statistics) divides the EU territory for statistical purposes into NUTS1, NUTS2 and NUTS3 regions (in descending order of magnitude). Cohesion policy eligibility is defined at NUTS2 level.

[7] The European Social Fund Plus comprises two strands: the strand under shared management and the Employment and Social Innovation strand (the EaSI strand) implemented under direct and indirect management. Only the strand under shared management is part of cohesion policy.

[8] The share of 25 % refers to the total cohesion policy resources, including from the ERDF, the CF and the ESF+. While 30 % of the ERDF and 37 % of the CF are earmarked for climate objectives, the share of the ESF+ has no fixed amount for this purpose and the study estimates it is the same as in 2014-2020. The amounts are shown in 2018 prices.

[9] This section aims to provide a broad overview of the debate and is not intended to be an exhaustive account of all different views.

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