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Press Release

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EU budget's contribution to climate action overstated

The EU has missed its self-imposed target of spending at least 20% of its 2014-2020 budget on climate action, according to a special report published today by the European Court of Auditors (ECA). The European Commission had announced that the EU had met the 20% target, reporting that it had spent €216 billion on climate action. However, the auditors found that the reported spending was not always relevant to climate action, and that the amount reported as having been spent for that purpose had been overstated by at least €72 billion. The auditors also fear that reliability issues could remain in the Commission's reporting for the 2021-2027 period, when the EU's new climate spending target will rise to 30%.

"*Addressing climate change is a key priority for the EU, which has set itself challenging climate and energy objectives*", said Joëlle Elvinger, the ECA member who led the audit. "*We found that in 2014-2020, not all the reported climate-related spending under the EU budget was actually relevant to climate action. That is why we make several recommendations to better link the EU's expenditure to its climate and energy objectives. For instance, we recommend that the Commission should justify the climate relevance of agricultural funding.*"

The main areas of EU public spending programmes reported as being climate-relevant are agriculture, infrastructure and cohesion; the Commission assigns coefficients to various programme components according to their expected contribution to climate action. The reporting on climate spending is beset with weaknesses, the auditors say, which make it generally unreliable. The current tracking method is based on assumptions: it does not evaluate the final contribution made towards EU climate goals, and there is no system in place for monitoring climate results. Coefficients are not always realistic: in some cases expenditure is deemed to be climate-relevant, even though the projects and schemes that it supports have little to no impact on the climate (for instance, infrastructure in rural areas). In other cases, potential negative effects are not accounted for (for example, the negative impact of carbon emissions).

It is in agricultural funding that climate spending is overstated the most: almost €60 billion, according to the auditors. The Commission reported that 26% of EU agricultural funding was climate-relevant, about half of the EU's total climate spending. However, farm greenhouse gas emissions in the EU have not decreased since 2010. Similarly, the auditors consider that the Commission overestimated the climate contribution of key subsectors of infrastructure and cohesion funding such as rail transport, electricity and biomass.

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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By applying more reasonable coefficients, the auditors calculate that the proportion of climate-relevant spending under the EU budget is more likely to be around 13% (approximately €144 billion) rather than the reported 20%. They also warn of the risk that planned or committed amounts may not be spent, which could further inflate reported climate spending.

The auditors also reviewed expected changes in tracking climate spending after 2020, to help the Commission improve future reporting on climate spending.
The auditors express concerns about the reliability of 2021-2027 climate reporting. Despite the proposed improvements in reporting methods, most of the issues identified for 2014-2020 still remain. The Next Generation EU (NGEU) funding instrument, introduced in 2020, incorporates the key principle of "do no significant harm", meaning that economic activities should not threaten environmental or climate objectives. Nevertheless, the auditors find that the NGEU brings with it additional challenges due to unclear links between payments and climate objectives.

Background information
Special report 09/2022, "*Climate spending in the 2014-2020 EU budget Not as high as reported*", is available on the ECA website. The audit expands on ECA's previous work in the area, for instance special report 17/2013, special report 31/2016 and review 01/2020. Special report 22/2021 also flagged the risk that climate spending under the Recovery and Resilience Facility (RRF) would not meet the EU taxonomy standards.

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