



# OPINION

European Economic and Social Committee

## Climate Adjustment Fund financed by Cohesion and NGEU

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Climate Adjustment Fund financed by Cohesion and NGEU  
[own-initiative opinion]

**ECO/583**

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**EN**

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## 1. Conclusions and recommendations

- 1.1 The European Union (EU) is taking significant steps towards tackling climate change and reducing greenhouse gas (GHG) emissions. EU climate, environmental and energy policies have a long-term plan to help prevent the worst impacts of the climate emergency our planet is facing. However, this might still be insufficient.
- 1.2 While the EU's commitment is significant, the consequences of climate change and resource scarcity are sadly already making themselves known. We are therefore having to adjust to a reality we have not experienced before. While the EU is rightly committed to avoiding a worsening of the situation, we are nevertheless unprepared for unforeseen climate emergencies, energy crises and natural disasters.
- 1.3 Since 2021, we have experienced two very notable emergencies that EU funding mechanisms have shown themselves to be ill-equipped to respond to. The first is the destruction caused by the floods and wildfires seen throughout Europe during the summer of 2022. The second is the ongoing energy crisis and need for EU energy autonomy brought about by Russia's invasion of Ukraine in 2022.
- 1.4 The EU's current mechanism for responding to natural disasters is the European Union Solidarity Fund (EUSF). However, the EUSF's available annual budget is dwarfed by the cost of the damage caused by recent natural disasters and needs to be drastically increased. EU funding for the green energy transition is more substantial, but does not take into account the urgency of the EU's current need for energy autonomy and the huge risk of energy poverty, as outlined in the EESC's opinion on *Tackling energy poverty and the EU's resilience: challenges from an economic and social perspective*<sup>1</sup>.
- 1.5 It is the view of the EESC that the EU needs a new funding mechanism that can offer immediate and ambitious assistance to help the Member States in emergencies such as those indicated above. The EESC therefore proposes creating a new Climate Adjustment Fund. This funding should be redirected from existing EU funds, notably from the Cohesion Fund and the Recovery and Resilience Facility (RRF), but managed in a streamlined and coherent way through this new Fund.
- 1.6 Modernisation of the funding environment could also include broadening the scope, stepping up existing programmes, and considering Next Generation EU (NGEU) as a template for a new funding tool.
- 1.7 In light of the significant investment needs, the EESC also advises the Commission to look into bolstering the Climate Adjustment Fund by encouraging private investment and contributions. Regarding natural disasters specifically, the Commission and the Member States should also make efforts to increase and facilitate insurance coverage and use the insurance system as a

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<sup>1</sup> <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/tackling-energy-poverty-and-eus-resilience-challenges-economic-and-social-perspective>.

means to direct financing toward improving climate change resilience, particularly in at-risk areas, in order to reduce reliance on EU funding support.

- 1.8 The Climate Adjustment Fund must be adaptive, flexible, and ready to respond to new and emerging crises in the years and decades to come.
- 1.9 It is crucial that the functioning of the Climate Adjustment Fund, with its greater focus on swift and urgent responses, be coherent with the EU's overarching climate, environmental and energy policies, which in the long-run will reduce reliance on emergency responses and protect humanity as well as the natural world.

## 2. **General comments**

- 2.1 The EESC acknowledges that tackling the climate crisis is in line with the EU's commitments made under the European Green Deal to implement the Paris Agreement and the Sustainable Development Goals (SDGs). While curbing the causes of climate change should be at the forefront of EU climate policy, the EESC stresses the need to have, in parallel to plans for GHG reduction, robust and streamlined funding mechanisms available to tackle the climate and energy emergencies the people of the EU are already facing.
- 2.2 The EESC's vision is for a new Climate Adjustment Fund, a proposal supported by several Members of the European Parliament<sup>2</sup>. This mechanism should be resourced using existing money from Cohesion funding and the RRF, concentrated into a single fund that will improve efficiency and response times and facilitate centralised monitoring of where funding is most needed. It should reinforce the EU's ability to support the Member States in responding quickly to climate, environmental and energy emergencies. In the current context, it would serve to address two of the most noticeable emergencies we are currently experiencing: recovery from increasingly frequent natural disasters, and the urgent need for a green energy transition and movement towards European energy autonomy, albeit with flexibility to meet crises arising in the future.
- 2.3 EU funds are already being directed towards the energy transition and disaster recovery; however, various issues are impeding their effectiveness. The existing European Union Solidarity Fund (EUSF), set up to help communities recover from natural disasters, is simply not large enough to respond to the scale of modern climate disasters. Funding for the energy transition is more ambitious, but still far from being enough. In addition, it is managed through a number of different funds, with the risk of incoherence or overlap, and in a way that mixes imminent objectives with more long-term goals on fighting climate change. The need to increase the EU's energy autonomy due to Russia's invasion of Ukraine has underlined the extent to which our energy dependency on hostile countries weakens our ability to react decisively in the face of international events.
- 2.4 The EESC therefore calls for the creation of a Climate Adjustment Fund, serving the specific purpose of responding to imminent environmental, climate and energy emergencies, and helping

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<sup>2</sup> [Regional development MEPs suggest to set up a Climate Change Adaptation Fund | News | European Parliament](#)

the EU adjust to a new reality in which such crises are sadly becoming ever more common. The Climate Adjustment Fund should serve as a funding reserve, ready to spring into action during times of acute investment needs.

- 2.5 The fund must offer the flexibility and robustness needed for quick and ambitious investment in meeting the EU's immediate needs, while remaining consistent with long-term climate and energy policies. It should draw together a share of Cohesion funding currently earmarked for climate issues, the existing EUSF, and a share of the RRF funding earmarked for environmental reforms. Having these resources concentrated into a single fund with a clear focus on urgent action will improve the efficiency of the response and facilitate monitoring of the most pressing investment needs. It should improve the ability to get the money to where it is needed without delay.
- 2.6 Modernisation of the funding environment could also include broadening the scope and stepping up existing programmes. Given the common interest and the urgent need to combat climate change and its catastrophic consequences, the EESC also stresses the need for an improved funding method in the future. Even if a golden rule for green investments was to be – quite rightly – implemented, some Member States may still not have the capacity to raise the massive amounts of investment needed without jeopardising their fiscal sustainability. Therefore, the EESC also recommends considering Next Generation EU (NGEU) as a template for funding the Climate Adjustment Fund. Grants and/or loans from this fund should be unlocked on the condition that the Member State or region receiving them invests in tackling climate change or its consequences, for example by making subsequent investments in renewable and decarbonised energy. Any such policy measures must be linked to mandatory involvement of the social partners and civil society organisations and the partnership principle enshrined in cohesion policy must be respected.
- 2.7 The EESC draws attention to the fact the Climate Adjustment Fund alone will not be enough to deal with the consequences of natural disasters and cover the costs of adaptation to climate change to enable better resilience. In that connection, the EESC draws attention to the "climate protection gap", i.e. the share of non-insured economic losses caused by climate-related disasters. Insurance coverage against natural disasters remains low in Europe, with only around 35% of losses due to natural disasters between 1980 and 2017 having been insured<sup>3</sup>. It is therefore important to examine and promote disaster insurance in the Member States and promote national insurance schemes that encourage users to invest in adaptation, reducing the strain on EU funds and encouraging proactive investment. Dialogue between stakeholders and innovation regarding insurance products can develop novel risk transfer solutions within the insurance and reinsurance system, while prioritising financial market stability and consumer protection<sup>4</sup>. This would improve the capacity of the Climate Adjustment Fund to be able to meet the challenges ahead of it.

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<sup>3</sup> [Economic losses from climate-related extremes in Europe — European Environment Agency](#)

<sup>4</sup> Forging a climate-resilient Europe – the new strategy on adaptation to Climate Change, [COM\(2021\) 82 final](#), section 2.2.3 and Strategy for financing the Transition to a Sustainable Economy [COM\(2021\) 390 final](#), Sections II and III, Action 2 c, European Insurance and Occupational Pensions Agency (EIOPA) dashboard on insurance protection gap and discussion paper.

2.8 EU funds also have an important role as seed money to attract private investment including in adaptation to improve resilience to climate change.

### 3. **The Climate Adjustment Fund as a tool for disaster recovery and preparedness**

3.1 An interinstitutional EU study illustrates the urgency of tackling the climate catastrophe in clear words: "An increase of 1.5 degrees is the maximum the planet can tolerate; should temperatures increase further beyond 2030, we will face even more droughts, floods, extreme heat and poverty for hundreds of millions of people; the likely demise of the most vulnerable populations"<sup>5</sup>.

3.2 It is starting to emerge that we are vastly underprepared for the challenges climate change poses. In 2021, the EU Member States experienced unprecedented destruction due to natural disasters, ranging from fatal floods in Germany and the Benelux, to catastrophic wildfires in Greece and Spain. In the face of the climate crisis, and together with other sources of environmental degradation, it is likely that destruction and natural disasters will become the norm rather than the exception. The more that effective measures to tackle the climate crisis and environmental degradation are postponed, weakened or averted, the higher the risks will become.

3.3 At least 240 people lost their lives in the floods that hit western Europe in the summer of 2021<sup>6</sup>, with countless more displaced and losing their homes. In Greece, no fewer than 500 wildfires were recorded during a heatwave that hit the country<sup>7</sup>.

3.4 Not only was the scale of the destruction and loss of life due to environmental disasters in 2021 unprecedented, so too was the financial cost to the communities affected. In western Europe, the floods were estimated to have caused EUR 38 billion worth of damage<sup>8</sup>. In Greece, the prime minister was obliged to approve a EUR 500 million aid package for the island of Evia, the region worst affected by the fires<sup>9</sup>.

3.5 No part of the globe is free from the increasing dangers of natural disasters. Likewise, no EU Member State is well enough equipped to overcome such massive challenges – either in terms of resources and material to deal with droughts, wildfires and floods, or in terms of the funding needed to help the affected areas recover.

3.6 Investment from the Climate Adjustment Fund to respond to natural disasters should work to complement ongoing spending from the European Structural Investment Funds on disaster preparation and prevention. There is a need for huge investment to create resilience against the impacts of climate change, for example investment in the construction of dykes, flood-resistant

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<sup>5</sup> [ESPAS\\_Report.pdf](#), p. 8.

<sup>6</sup> <https://www.brusselstimes.com/belgium-all-news/199487/europes-summer-floods-amount-to-worlds-second-most-costly-natural-disaster-of-2021>.

<sup>7</sup> <https://www.reuters.com/world/europe/greece-starts-count-cost-after-week-devastating-fires-2021-08-09/>.

<sup>8</sup> [Europe's summer floods amount to world's second-most costly natural disaster of 2021 \(brusselstimes.com\)](#).

<sup>9</sup> <https://www.reuters.com/world/europe/greece-starts-count-cost-after-week-devastating-fires-2021-08-09/>.

buildings, protection against coastal erosion, equipment to monitor and contain wildfires, and technology to help save and store fresh water in areas affected by droughts, among other things. While structural investment funds should work *ex ante* to reduce possible damage, the Climate Adjustment fund should be there to respond quickly in cases where such preventative measures have not succeeded in warding off certain damage.

- 3.7 The EESC highlights that the predicted repercussions of the climate crisis require a much more robust support mechanism than the one currently in place. The total budget of the EUSF is limited to a total of EUR 500 million per year<sup>10</sup>. Since its implementation in 2002, the EUSF has supported 28 different European countries, providing over EUR 7 billion<sup>11</sup>. This is impressive, but would by no means be enough to cover the costs of damage due to natural disasters in 2021 alone.
- 3.8 In cases of natural disasters, we see an increased risk of loss of life among certain groups who cannot easily evacuate the affected areas. This is notably the case for older people, persons with disabilities, and children. Investments need to be targeted to ensure that emergency services have the material and back-up of additional rescue workers to assist all people requiring particular attention. People with fewer resources are also less able to evacuate because of the cost involved in finding alternative accommodation and their limited access to means of personal mobility. This should be something the Climate Adjustment Fund seeks to address.

#### 4. **The Climate Adjustment Fund as a route to the green energy transition**

- 4.1 It is the EESC's view that climate adjustment is also about adjusting to a new reality of sustainable energy production. Due to recent developments, the EU faces huge and urgent challenges regarding energy independence which were not foreseen when the Multiannual Financial Framework (MFF), NGEU and the Economic Governance framework were drawn up. Referring to the Commission's *REPowerEU* plan<sup>12</sup> and the Conclusions of the European Council, the EESC fully agrees that, following Russia's invasion of Ukraine, the case for energy independence has never been stronger, including the development of renewables.
- 4.2 The EESC stresses the need to focus on the role that green and decarbonised energy technologies, improving energy efficiency and reducing energy demand can play in increasing the provision and affordability of energy in the EU. This will help protect against price hikes, which impede economic growth, exacerbate inequalities, provoke energy poverty, enhance production costs and hamper the EU's competitiveness. In particular, the EESC welcomes the acceleration of the deployment of innovative hydrogen-based solutions and cost-competitive renewable electricity in the industry.
- 4.3 The need to invest urgently and ambitiously in the movement towards greener forms of energy produced within the EU is more important than ever. While green energy production and energy

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<sup>10</sup> [EU Solidarity Fund](#).

<sup>11</sup> [https://ec.europa.eu/regional\\_policy/en/funding/solidarity-fund/](https://ec.europa.eu/regional_policy/en/funding/solidarity-fund/).

<sup>12</sup> *REPowerEU* plan, [COM\(2022\) 230 final](#)

autonomy should always be a long-term goal for the EU, the immediate context sees the EU in urgent need of affordable energy provision from alternative sources, without compromising on its energy goals. The urgent investment needs to provide affordable energy from alternative sources for citizens could be addressed by the Climate Adjustment Fund more effectively and efficiently than existing mechanisms.

- 4.4 The EESC observes with increasing clarity that energy dependency is a causal factor in weakening the EU's responses to countries such as Russia, as seen clearly in the EU's response to the invasion of Ukraine. Current overdependency on Russian gas severely undermines the ability of the EU and its Member States to take swift action without putting its own citizens at risk of fuel shortages and energy poverty. Unfortunately, plans to procure natural gas from the USA do not offer a sustainable or environmentally responsible solution<sup>13</sup>.
- 4.5 The Climate Adjustment Fund should serve as a means of funding our urgent need for EU-produced green and decarbonised energy, with ambitious procurement of existing technologies and investment in developing new technologies to achieve a zero-emission economy. The EESC urges that the war in Ukraine must not lead to the EU's mission of accomplishing environmental and social goals being neglected, as these form the basis for building economic strength in the long run.
- 4.6 In the context of reducing energy consumption, progress varies markedly between the Member States. In 2018, only 11 of the 27 Member States had lowered total domestic energy demand below their 2020 target. All in all, the EU is far from reaching its 2030 targets, implying the need for additional efforts. Fortunately, the share of renewables in gross final consumption of energy in the EU has risen steadily. The Fit for 55 package has proposed reaching a share of 40% of renewables in energy consumption by 2030. While the share of renewables in energy consumption also varies substantially across the EU, so too does the capacity to produce renewable energy, owing to budgetary restrictions and geography. In some countries, installed photovoltaic capacity per head is quite low despite high potential in this field. Other countries achieve a high share of renewable energies due to the favourable geographical possibilities for hydropower plants.
- 4.7 Stepping up efforts towards the green energy transition will go hand in hand with new funding needs, and will have to be done urgently in light of the energy crisis and the growing need for EU energy autonomy. Boosting the Fit for 55 proposals with higher targets and earlier deadlines for renewable energy, for example by rolling out solar and wind energy and improving energy efficiency, will require a robust funding response. The Commission announced its intention to assess these financing needs in the context of the *REPowerEU* proposals<sup>14</sup>, based on a mapping of needs in the Member States as well as requirements for cross-border investment. The EESC welcomes this, but also points to the concern that the current financing tools at EU and national level will not be sufficient and that action is needed to make renewable energy a solution now. Climate Adjustment Fund expenditure on renewable energies should also be boosted by attracting private investment, with the fund acting as a provider of seed money.

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<sup>13</sup> [U.S., EU strike LNG deal as Europe seeks to cut Russian gas | Reuters.](#)

<sup>14</sup> [COM\(2022\) 230 final](#)



4.8 Scaling up investment to improve the EU's energy autonomy should be done in line with a focus on the green and renewable energy transition. In order to succeed, in addition to more immediate investments by way of the Climate Adjustment Fund, the EU will require significant long-term investments in research and innovation and new ways of producing and consuming, in order to improve our ability to offer clean and affordable energy to all. The EU's research and innovation agenda is already showing considerable commitment to this goal, with the potential to make noticeable progress. However, this emphasis on research must be matched by a commitment by the Member States to adopt greener forms of energy production and their ability to transition away from more traditional means of energy production, particularly in Member States that still have a strong reliance on coal.

4.9 While the EESC welcomes the existing funding dedicated to climate policy in the MFF and the NGEU, it also highlights that the most immediate environmental threats to people in the EU have changed since they were drawn up and that new approaches are needed. In addition to the creation of this new fund, the EESC asks the Commission to review the funding environment in order to identify financing gaps and additional funding needs regarding various aspects of climate policy.

## 5. **Ensuring the robustness of existing EU climate and energy policies and the complementarity of the Climate Adjustment Fund**

5.1 The Climate Adjustment Fund would respond to a very specific unmet need in terms of EU funding, which is to say having sufficient funding available for swift responses to climate, environmental and energy emergencies. However, this fund must be consistent and coherent with the EU's overarching policies in these areas.

5.2 The climate crisis is a systemic issue that transcends boundaries, meaning there is a need for systemic change to how our economy works and making it crucial that governments commit to systemic solutions instead of just addressing the symptoms of the problem.

5.3 Huge disparities in how individuals and groups are engaged and afflicted exacerbate the problem of climate change. These disparities relate to carbon footprints, with quite significant variation in per capita CO<sub>2</sub> emissions in different EU Member States and regions. We also see disparities in the impacts of climate change, the capacity to adapt and to deal with the challenges and, finally, the impacts of climate policy measures, and the impending significant structural changes.

5.4 Within the EU, climate impacts differ widely within and between Member States, depending on their geography and the state and structure of their economy. For example, while 7% of the EU population live in areas at high risk of flooding, over 9% live in areas marked by 120 days without rain.

5.5 Striving for a just transition also requires sustainable social conditions in line with the Sustainable Development Goals (SDG) and the European Pillar of Social Rights. Moreover, the EESC calls for a holistic approach to environmental sustainability and points to the Taxonomy

Regulation, which establishes six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

- 5.6 With an approved budget of over EUR 330 billion in the current programming period, cohesion policy is currently the biggest and most important common investment tool in Europe and therefore plays a crucial role in tackling the climate crisis. The disparities within and between Member States, which cohesion policy has the goal of addressing, are also very likely impacted by climate change and its consequences. For its part, the Recovery and Resilience Plan also places a strong focus on climate. While we see a clear commitment to investment, there is a need to have a clear and structured view of which EU funds are targeted at tackling climate change and how they are managed.
- 5.7 The EESC also emphasises the need for local and regional authorities to make a clear political commitment to achieving climate targets. There is an urgent need to step up multi-level dialogue among national, regional and local authorities on planning and implementing national measures on climate change at regional and local level, on direct access to funding for local authorities, and on monitoring the progress of the measures adopted. The social partners and organised civil society must be involved in this process in order to safeguard a balanced approach, respecting the interests of all groups.
- 5.8 The EESC highlights the pivotal role of local, social and regional partners in tackling the consequences of climate change. Unfortunately, the support that many of these actors receive to finance their activities is still far from being enough to meet the challenges they are dealing with. Among other things, the Just Transition Fund needs to be bolstered to offer better support.
- 5.9 The EESC insists that the transition towards environmental sustainability must be inclusive and in line with the SDGs and the European Pillar of Social Rights. Within this context, key criteria must include safeguarding and creating new, quality green jobs, thus ensuring training and inclusive social measures by developing alternative climate-neutral economic sectors for the regional population. It has to outweigh the potential regressive effects of climate policy measures and structural changes. For example, public procurement and State aid measures for companies should be linked to the creation of quality jobs and be respectful of workers' rights, environmental standards and fiscal obligations. Moreover, vulnerable persons must be protected from the impact of climate change, avoiding energy poverty at all times. Finally, the EESC points to the EU taxonomy's "do no significant harm" principle, which stipulates that no environmental goals may be harmed through the implementation of various policies.

5.10 Since formal and nonformal education are important mechanisms to combat the climate crisis, it is crucial to invest in accessible education relating to climate change and active citizenship. Education on sustainability is a powerful tool to equip young people with, empowering them to become part of the conversations on the direction concrete climate policy should take. The role of education and training to combat climate change is increasingly recognised.

Brussels, 21 September 2022

Christa Schweng

The president of the European Economic and Social Committee

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