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**COMMISSION STAFF WORKING DOCUMENT**

**Climate Mainstreaming Architecture in the 2021-2027 Multiannual Financial  
Framework**

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# 1 POLICY CONTEXT AND BACKGROUND

This staff working document presents the Commission's approach to climate mainstreaming in the 2021-2027 multiannual financial framework (MFF) and the *NextGenerationEU* recovery package (NGEU). Annex I contains technical details of the methodology used to account for climate expenditure during this period. This methodology represents the foundation of the overall architecture. Annex II gives an overview of how the 'do no harm' principle is implemented across different EU funding programmes. This staff working document focuses only on *climate* mainstreaming. The Commission will update the two annexes to reflect relevant changes where needed.

## 1.1 EU FOCUS ON GREEN POLICIES

Climate and environmental policy are at the heart of EU policymaking. This is in line with the Treaties<sup>1</sup>, which define environmental protection as a core task of the EU.

The Commission made the green transition one of its main priorities for 2019-2024, as stated by President von der Leyen in her political guidelines<sup>2</sup>. The 2019 European Green Deal Communication<sup>3</sup> confirmed this objective. The Green Deal puts climate and environmental challenges at the centre of the EU's work. It aims to protect, conserve and boost the EU's natural resources, and protect people from environment-related risks and impacts, according to the principles of doing no harm and leaving no one behind. Its overall ambition is to transform the EU into a modern, resource-efficient, fair and competitive economy with no net greenhouse gas emissions, and where economic growth is decoupled from resource use.

Following up on the Green Deal, the European Climate Law was adopted in 2021<sup>4</sup>. It writes into law the EU's goal to become climate-neutral by 2050 (reducing net greenhouse gas emissions to zero) and sets the intermediate target of reducing emissions by at least 55% by 2030, compared to 1990 levels. In July 2021, the Commission adopted the 'Fit for 55' package of legislative proposals to achieve this 55% reduction target<sup>5</sup>. The package consists of a set of ambitious, interconnected proposals that strike a balance between pricing, rules, standards and support measures. These build on existing measures, such as legislation on renewable energy and energy efficiency and the EU Emissions Trading System, and introduce new instruments such as a Carbon Border Adjustment Mechanism (CBAM).

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<sup>1</sup> Article 11 and Article 191 Treaty on the Functioning of the European Union; article 37 of the Charter of Fundamental Rights

<sup>2</sup> [Political guidelines of the Commission 2019-2024](#)

<sup>3</sup> [COM\(2019\) 640 final](#), Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal

<sup>4</sup> [Regulation\(EU\)2021 1119](#), The European Climate Law

<sup>5</sup> [COM\(2021\) 550 final](#), 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality

The proposal for a new Social Climate Fund (SCF)<sup>6</sup> will further strengthen the EU budget's social dimension by addressing the social impacts of 'Fit for 55' on the most vulnerable people and how these impacts are distributed. This concerns in particular the proposal to introduce emissions trading for buildings and road transport. The Social Climate Fund proposal is fully in line with existing measures and complements them under the Just Transition Mechanism (JTM) and European Social Fund+ (ESF+).

Furthermore, in 2020 the EU launched *NextGenerationEU* in response to the COVID-19 pandemic. NGEU will provide around EUR 800 billion (in current prices) of investments through the Recovery and Resilience Facility as well as targeted top-ups to the EU's 2021-2027 budget. This will increase the EU's total financial firepower to around EUR 2 trillion. The green and digital transitions will be two of the main objectives of NGEU, driving the EU towards a more sustainable future. In her 2020 State of the Union speech, President von der Leyen announced that 30% of NGEU will be financed through green bonds.

## 1.2 CLIMATE MAINSTREAMING IN THE 2014-2020 MULTIANNUAL FINANCIAL FRAMEWORK

In the 2014-2020 multiannual financial framework, the Commission introduced a new approach to help earmark financial resources for the fight against climate change, known as **climate mainstreaming**. With the overall aim of allocating 20% of spending under the EU budget to climate goals, EU funding programmes were designed to support climate change measures in two categories:

- **Mitigation:** measures that focus on the causes of climate change and limit the scope of its long-term effects. Climate change mitigation generally involves reductions in greenhouse gas emissions.
- **Adaptation:** measures to help ensure preparedness for and find solutions to the adverse effects of climate change, and to prevent or minimise the damage climate change can cause or to take advantage of opportunities that may arise.

For example, to take account of climate adaptation needs in the preparation and implementation of major projects the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) used '**climate proofing**' to ensure that all buildings and infrastructure that receive funding are well adapted to climate change.

**From 2014 to 2020, the EU budget allocated EUR 220.8 billion to the fight against climate change. This represents 20.59% of the total budget, thus beyond the 20% climate spending target<sup>7</sup>.**

### Box 1 – What is 'mainstreaming'?

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<sup>6</sup> [COM\(2021\) 568 final](#) "Proposal for a regulation of the European Parliament and of the Council establishing Social Climate Fund

<sup>7</sup> [Draft Budget 2023](#)

To achieve policy objectives of a horizontal nature, it is necessary that multiple instruments, legislative and/or budgetary, contribute to their fulfilment. In the context of the EU budget, mainstreaming is defined as the inclusion of a specific priority in the design, preparation, implementation and evaluation phases of all budgetary programmes, in order to maximize their contribution to policy objectives, promote synergies and improve spending coherence. It may involve defining a specific target for the amount of budget to be spent and monitoring progress towards achieving it.

In a wider sense, mainstreaming is about the way policies, programmes and actions are conceived, designed, implemented and monitored. It may be supported by a number of tools and measures, at various stages of the programming cycle (e.g. integration into work programmes, environmental screening, risk and environmental impact assessments, climate and environmental management plans, capacity development and technical assistance).

## 2 THE CLIMATE MAINSTREAMING ARCHITECTURE IN THE 2021-2027 MULTIANNUAL FINANCIAL FRAMEWORK

### 2.1 INTER-INSTITUTIONAL AGREEMENT AND MAINSTREAMING FRAMEWORK

In the December 2020 Inter-Institutional Agreement (IIA)<sup>8</sup> that accompanied the agreement on the multiannual financial framework, the Commission, the European Parliament and the Council committed to strengthen the EU budget's contribution to the fight against climate change. The agreement contains the following key elements:

- 1) An **overall target of at least 30%** for climate-relevant expenditure (see Section 2.2);
- 2) A '**climate adjustment mechanism**'<sup>9</sup>, allowing for action to be taken in case expenditure levels are likely to be insufficient to reach (programme-specific) climate spending targets (Section 2.3);
- 3) The development of an effective **climate tracking methodology** to track the level of expenditure<sup>10</sup> (Section 3);
- 4) The application of the '**do no harm**' principle to ensure that money spent under the budget does not prevent the EU from achieving its climate and environmental goals (Section 4.1).

The Commission presented some parts of this methodology in the Communication on the performance framework for the EU budget under the 2021-2027 MFF<sup>11</sup>. This 'Performance Communication' explains how climate mainstreaming works as part of overall spending under the budget.

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<sup>8</sup> [LI 433/28](#), Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources

<sup>9</sup> Such a "mechanism" is the operationalization of art 16(d) of the Interinstitutional Agreement "on appropriate measures to be taken to ensure that Union spending on climate objectives over the entire MFF 2021-2027"

<sup>10</sup> The term 'tracking' refers to the general approach of measuring and reporting climate expenditure. 'Tagging' refers to the action of assigning a specific coefficient to a certain intervention

<sup>11</sup> [COM\(2021\) 366](#), Communication from the Commission to the European Parliament and the Council on the performance framework for the EU budget under the 2021-2027 MFF

On this basis, the climate mainstreaming architecture has been significantly strengthened compared to the 2014-2020 MFF. Key improvements include:

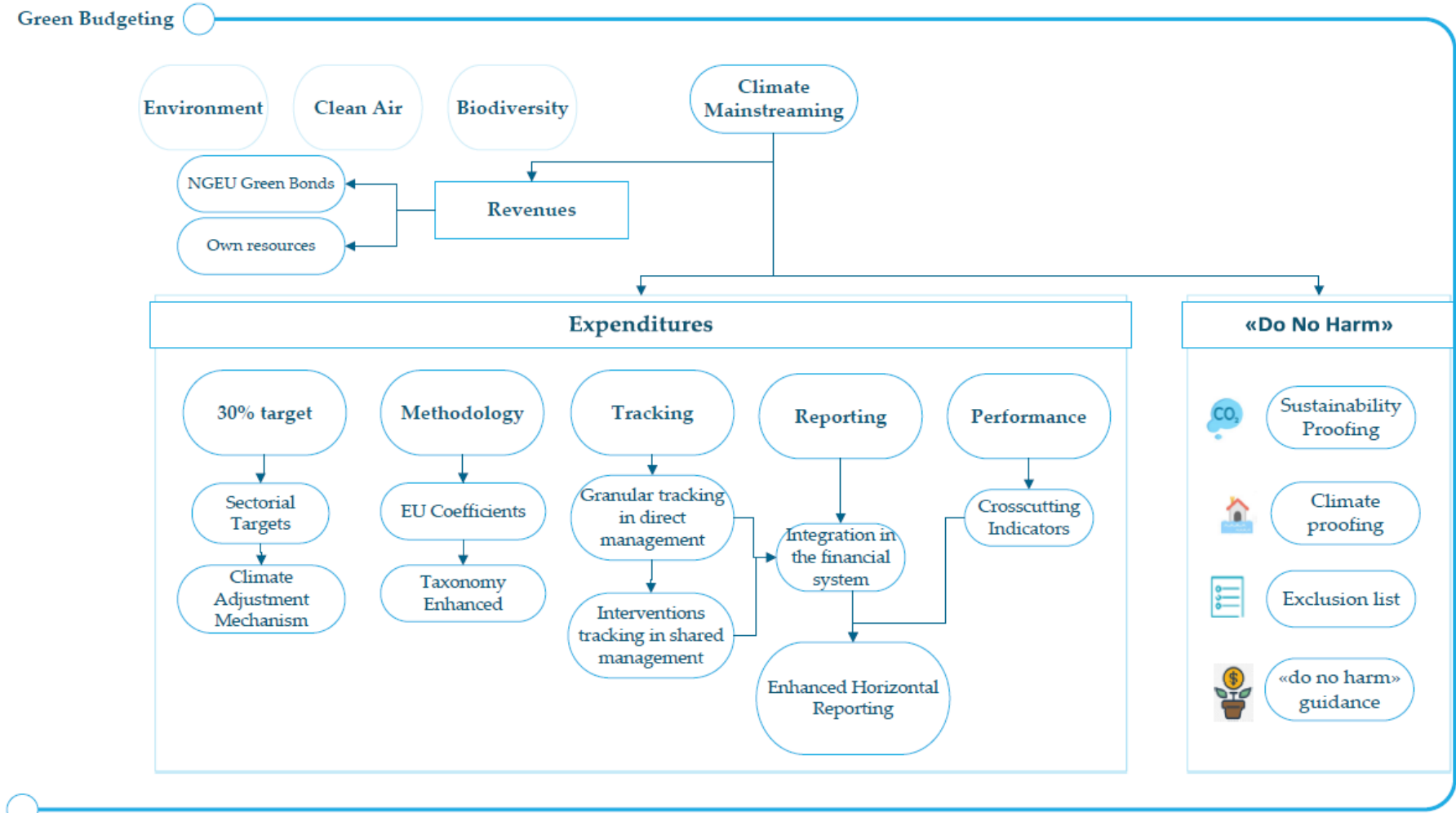
- A shift towards '*effect-based*' expenditure tracking based on a list of specific activities ('activity-based' tracking), compared to the more '*intent-based*' approach in the 2014-2020 MFF;
- Improved consistency in marking expenditure across different funding programmes by reducing the risk that similar projects will be categorised differently depending on the objectives of the programme in question<sup>12</sup>;
- Greater granularity and transparency in expenditure marking by introducing climate tagging in the Commission's official accounting and reporting systems;
- Improved capacity to steer expenditure towards meeting both sector-specific and overall targets.

Figure 1 presents an overview of how climate is mainstreamed in the EU budget.

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<sup>12</sup> A building renovation project, for example, would be classified differently if carried out to address energy efficiency concerns or to increase living space, even if the effect on energy consumption was the same

Figure 1 – An overview of the climate mainstreaming architecture in the EU budget, seen in the wider context of green budgeting (which includes biodiversity mainstreaming and other independent green tracking methodologies).



## 2.2 THE 30% TARGET

The IIA sets a climate expenditure target of 30% across the 2021-2027 MFF and NGEU.

As part of the 2021--2027 climate mainstreaming architecture, the 30% target has been broken down into specific targets for individual programmes (see Table 1). All programmes contain recitals in their basic act, which either specify expected contributions (as a percentage of the overall budget allocated) or make a more general commitment to climate mainstreaming. A more general commitment is made in those cases where it was not possible to define an *ex-ante* spending target compatible with the objectives or nature of those programmes, for example in the ESF+ the Union Space programme or the Digital Europe programmes. In the Recovery and Resilience Facility, the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), climate spending targets have been included in binding provisions to ensure the appropriate uptake of funds by Member States.

Table 1 – Overview of expected contributions per programme as included in the basic act

| Programme   | Expected contribution set in the basic act |
|---|--|
| Horizon Europe  | 35%  |
| ITER  | 100%                                       |
| InvestEU programme  | 30%  |
| Connecting Europe Facility  | 60%  |
| European Regional Development Fund  | 30%  |
| Cohesion Fund   | 37%  |
| REACT EU  | 25%  |
| Recovery and Resilience Facility  | 37%  |
| Common agricultural policy 2023-2027  | 40%  |
| LIFE  | 61%  |
| Just Transition Mechanism   | 100%                                       |
| Neighbourhood, Development and International Cooperation Instrument – Global Europe | 30% <sup>13</sup>                          |
| Overseas Countries and Territories  | 25%  |
| Pre-Accession Assistance  | 18% <sup>14</sup>                          |

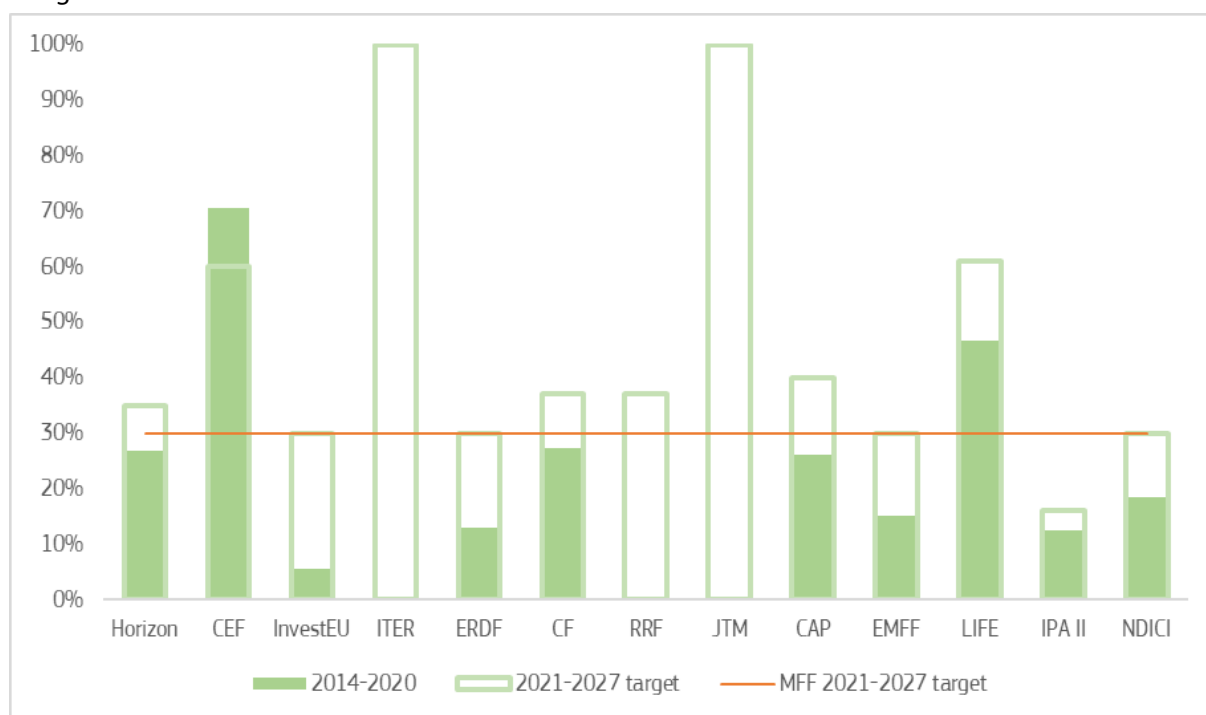
Figure 2 shows the more ambitious climate spending targets under the 2021-2027 MFF compared to the 2014-2020 MFF based only on those programmes with an *ex ante* expected contribution. In practice, these targets will result in ‘greener’ programming and the relevant work programmes will include a specific section outlining how climate financing is proactively integrated in programming activities to achieve the desired spending contribution.

<sup>13</sup> In her 2021 State of the Union speech, President von der Leyen announced an increase in the resources to be spent on climate-related activities under the EU’s external action policy, raising the target to 35%

<sup>14</sup> Actions under the Instrument for Pre-Accession Assistance (IPA III) are expected to contribute 18% of the overall financial envelope of IPA III to climate objectives, with the aim of increasing this to 20% by 2027



Figure 2 – 2021-2027 climate spending targets compared to 2014-2020 climate committed budget



### 2.3 THE CLIMATE ADJUSTMENT MECHANISM

To allow the Commission to steer work towards reaching the 30% climate target, the IIA provides that ‘The effective methodology [...] will identify relevant measures to be taken in case of insufficient progress towards achieving applicable targets.’

Reflecting the importance of such ‘compensatory measures’, the ‘climate adjustment mechanism’ is based on the following principles:

1. **Combined programming and reporting:** each programme will need to show how it will reach the target contribution. This is done based on commitments, both *ex ante* at the programming stage and *ex post* in the annual reporting exercise, and on reporting on how much of the funding committed is spent.
2. **Compensation within each programme:** as a rule, if a programme does not reach its climate spending target in a given year, the necessary offsetting must be carried out within its own budget, either in the following year or spread over the remaining years until 2027.
3. **Offsetting from other programmes:** in case the general rule of offsetting within the programme is not possible for exceptional reasons (for example it is the last year of the budget period or because of low expenditure), other programmes will need to increase their contribution in order to reach the MFF’s overall climate spending target. This will be done by the three institutions together as part of the annual budget procedure.

The Programme Statement for Operational Expenditures attached to the annual Draft Budget provides information on climate expenditure under each programme, including an

explanation on past performance and future estimates, accompanied by a justification where needed.

In practice, progress towards each programme's mainstreaming target will be monitored in three different ways, according to the different management modes:

1. For programmes under direct management through the annual budget procedure. Where necessary, adjustment measures may be proposed in the Draft Budget and agreed upon with the budgetary authority.
2. For programmes falling under the CPR, its Article 6<sup>15</sup> establishes a specific climate adjustment mechanism which allows for compensatory measures in case insufficient progress is made towards reaching the CPR climate spending targets.
3. As regards the common agricultural policy, annual review meetings and biennial performance reviews<sup>16</sup> between the Commission and Member States aim to ensure that the 40% climate expenditure target is met.

### 3 THE CLIMATE TRACKING METHODOLOGY FOR 2021-2027

#### 3.1 EU CLIMATE COEFFICIENTS

EU climate coefficients are designed to quantify expenditure that contributes to climate objectives.

In the 2014-2020 MFF, the EU's climate mainstreaming methodology was based on the qualitative 'Rio markers' used by the OECD Development Assistance Committee to identify specific environmental objectives (desertification, climate change mitigation, climate change adaptation and biodiversity) of development aid projects. The Rio markers are based chiefly on the stated intent of the activity financed.<sup>17</sup>

As presented in its 2021 Performance Communication, in the context of the 2021-2027 MFF the Commission has developed a new, **effect-based methodology** based on 'EU climate coefficients' (see figure 3).

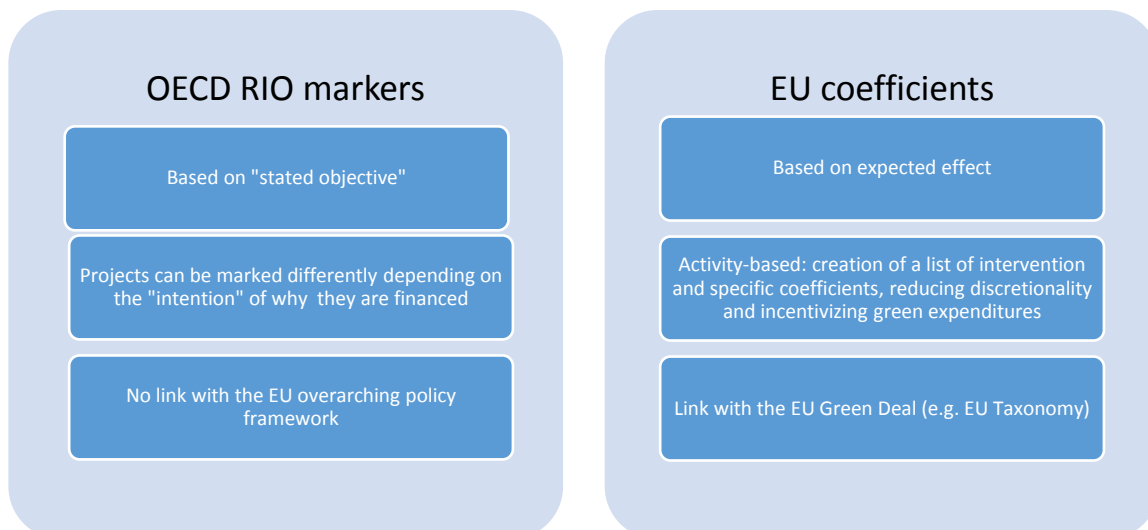
*Figure 3 – From OECD Rio markers to EU climate coefficients, a comparison*

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<sup>15</sup> [Regulation \(EU\) 2021/1060](#), Common Provisions Regulation

<sup>16</sup> [Regulation\(EU\)2021/2115](#), establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, Art 135 and art 176

<sup>17</sup> From 2014 to 2020, the Common Provisions Regulation had already adapted the basic Rio marker approach by introducing activity-based tagging through the use "intervention fields" defined for Cohesion policy



The EU climate coefficient methodology takes account of the different modes of financial management and of allocating funds under the EU budget to ensure consistency in climate tagging across all programmes. Examples of the different management modes include centrally managed funds, shared management and financial instruments implemented by third parties. Tracking of financial instruments and budgetary guarantees represents one of the new features of the tracking system. In these cases, only the level of commitments from the EU budget will be tracked, not any of the additional funding from other sources.

EU climate coefficients are assigned according to the following categories of criteria:

- **100%:** the activity is expected to make a **substantial contribution** to climate change mitigation or adaptation objectives in line with EU climate goals. A substantial contribution can be assigned to an activity that contributes to climate objectives either directly (e.g. renewable energy, zero-emission transport or nature-based solutions) or indirectly (e.g. research and innovation, education related to clean technologies or other enabling activities)<sup>18</sup>. For a number of activities, the “effect-based” column in Annex I provides further information on the nature of the substantial contribution.
- **40%:** the activity is expected to make a **non-marginal, positive contribution** to climate change mitigation or adaptation objectives. The activity’s contribution to climate objectives can again be direct or indirect.
- **0%:** the activity is expected to have a **neutral impact** on climate objectives.

<sup>18</sup> Intent is still a key component for actions that have an indirect effect. This is the case, for example, for activities under research and innovation, development of skills or awareness raising, where there is no clear effect on mitigation/adaptation but where they are essential to achieving the 2050 climate neutrality goal

For a number of activities EU climate coefficients are guided by taxonomy technical screening criteria (see Box 2). All activities have to comply with the ‘do no (significant) harm’ principle as set out in Annex II, regardless of the applicable climate coefficient.

The use of these new coefficients represents a fundamental shift towards an effect- and activity-based approach, in line with the overarching objectives of the European Green Deal and the taxonomy for sustainable investment.

### **Box 2 – What is the EU taxonomy for sustainable investment?**

The EU taxonomy is one of the cornerstones of the EU sustainable investment agenda. It is expected to play a key role in directing private investment towards sustainable projects and activities. It is a classification system that establishes a list of economic activities with technical screening criteria which determine the conditions under which an activity is considered as environmentally sustainable. Technical screening criteria are defined by means of delegated acts (regulations). The Commission Delegated Regulation<sup>19</sup> setting out technical screening criteria for climate mitigation and adaptation objectives has applied since 1 January 2022. The regulation identifies activities that contribute substantially to reaching the EU’s climate objectives, such as investments in renewables and zero-emission transport. It also sets out ‘do no significant harm’ criteria to exclude activities that, even if potentially beneficial for climate objectives, are harmful to water or marine resources, the transition to a circular economy, pollution prevention or biodiversity.

In the context of climate mitigation the regulation also includes “transition activities”. Transitional activities are considered environmentally sustainable under certain conditions, notably where low-carbon alternatives are not yet economically or technically feasible, provided those activities do not lead to a lock-in of carbon intensive assets. The Commission Delegated Regulation includes such activities, for instance in the area of

manufacturing.

The list of economic activities under the EU taxonomy shows some overlap with the categories used by the EU climate tracking methodology (see Annex I). This methodology, however, covers more areas and also recognises positive climate contributions from some activities that do not necessarily meet all the technical screening criteria in delegated regulations. The Commission is evaluating whether to align its climate tracking methodology with the EU taxonomy over time, where relevant.

### **3.2 TAGGING CLIMATE-RELEVANT EXPENDITURE**

Annex I of this document provides a list of interventions under the EU budget and the respective coefficients to track climate-relevant expenditure (i.e. the “climate methodology”). EU climate coefficients will be applied in **all programmes, following the activity-based approach**. Coefficients will be assigned directly in the financial system by the Directorates-General in charge of specific funding programmes (see Box 4).

The coefficients will be assigned at the most detailed level possible, depending on the specific features of each funding programme, to ensure that tracking will be as comprehensive as possible.

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<sup>19</sup> [Commission Delegated Regulation \(EU\) 2021/2139](#) of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

The climate coefficients defined in the Common Provisions Regulation (CPR) Annex I serve as the basis of the methodology and of the climate coefficients in other programmes<sup>20</sup>. For expenditure not covered by the CPR, another programme is identified as the basis for the EU climate coefficient applicable to that type of spending. That programme is chosen according to the relevant policy field (i.e. it finances that type of spending) and the legal basis of the coefficient. This may be found, for example, in the basic act, in a recital, in published guidance or in internal guidance.

Independent of where the coefficient is originally defined, all funding programmes in the EU budget will apply the same coefficient for the same type of expenditure. For activities that are not listed in Annex I, climate coefficients will be applied on an ad hoc basis, following the principles and approach used in Annex I, as relevant.

For the purpose of reporting under the EU budget, and starting in June 2025, the EU climate coefficients will also be applied to climate expenditure under the MFF's Heading 6 ('Neighbourhood and the world')<sup>21</sup>. At the same time, to report the EU's international climate finance to the OECD, the UNFCCC and the Paris Agreement, as well as other international agreements or frameworks, in line with the international commitments the Rio markers will continue to be used.<sup>22</sup>

The Common Agricultural Policy will align its climate tracking methodology in 2026 through the delegated acts provided for in Article 100(3) of Regulation (EU) 2021/2115<sup>(20)</sup>. The Commission, however, will strive to provide more detailed reporting before that date.

In the IIA, the Commission committed to provide more disaggregated data, where possible, to make a clearer distinction between climate change mitigation and climate change adaptation expenditure. Work is underway to establish a solid approach in this respect without increasing the administrative burden. In several cases, it may be technically challenging to differentiate between mitigation and adaptation as a number of measures contribute to both objectives at the same time. For example, the energy-efficient renovation of housing stock both lowers energy consumption and adapts buildings to higher temperatures. Furthermore, at the level of the MFF as a whole, the climate spending target covers both mitigation and adaptation aspects without making any distinction between the two.

### **Box 3 – Tracking in the financial system**

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<sup>20</sup> The Recovery and Resilience Facility and the Connecting Europe Facility basic acts are aligned to the CPR weightings to ensure consistency in marking. The InvestEU climate tracking system is also broadly aligned to the CPR weightings for climate tracking and envisages some additional intervention fields consistent with InvestEU's broader objectives. Moreover, any InvestEU operations that respect EU taxonomy criteria for a substantial contribution to climate mitigation and adaptation will qualify for a 100% EU climate coefficient

<sup>21</sup> NDICI Article 41.8 states :“The funding allocated under the Instrument shall be subject to an annual tracking system based on the methodology of the OECD, namely the ‘environmental markers’ and ‘Rio markers’, without excluding the use of more precise methodologies where these are available”

<sup>22</sup> A tool will be developed to help ensure mutual conversion with low administrative costs

- To ensure better climate tracking, the Commission has made it mandatory to assign an EU climate coefficient to all the transactions under direct and indirect management in its main financial system (ABAC). This will provide more detailed data and more precise tracking.
- For shared management funds, for which the Commission and the Member States have a shared responsibility, data are drawn from the local accounting systems under the CPR (SFC) and the CAP Regulation (AGREX) and then integrated into ABAC.
- Climate tagging in ABAC is based on the best *ex ante* estimate of the climate relevance of the budget committed. Estimates will be refined along the way and may be modified on the basis of the actual contracts signed and payments made. This is particularly the case for shared management funds and external action funds, where there can be a gap of more than a year between committing money at EU level and selecting and carrying out projects on the ground.

### 3.3 ANNUAL REPORTING

Annual reporting by the Commission provides an overview of past and future (planned) expenditure throughout the 7 years of the multiannual financial framework. Reporting on *past* years will be based on commitments made. This includes adjustments from previous years coming directly from the financial system (ABAC) to reflect actual contracts signed, payments and decommitments, depending on the programme and level of detail of the initial commitments. Estimates on *future* expenditure will be based on the best information available, including amounts expected to be dedicated to climate-relevant activities from programmable actions (tagged in the work programmes) and projections based on historical data.

Based on this exercise, the Commission will calculate the following:

- At the level of individual funding programmes: the amount of climate-relevant commitments in line with the method described above and the total commitment appropriations for the programme in question as presented in the financial programming, including any contribution from NGEU;
- At the level of individual funding programmes: monitoring the share of commitments relevant to climate-relevant activities. This is calculated by dividing the sum of climate-relevant commitments by the total amount of commitments made and compared to the respective climate expenditure targets (if applicable for a given programme);
- At the level of the overall EU budget, including NGEU: the sum of climate-relevant commitments across all programmes and the total amount of commitment appropriations implemented under all seven headings<sup>23</sup> as set out in the financial programming. This includes all NGEU commitments but excludes special instruments outside of the MFF budget ceilings;

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<sup>23</sup> Heading 7, Section III only, excluding the budget of other institutions

- The share of climate-relevant expenditure in the EU budget by dividing the sum of climate-relevant commitments across all programmes by the total amount of commitments and comparing this result to the 30% target for the overall EU budget.

Each year the Commission will present climate expenditure data in the annual draft budget, specifically the statement of estimates, the programme statement for operational expenditures and the report on the financing of cross-cutting policy priorities in the EU budget<sup>24</sup>. The Commission will also include this data in the Annual Management and Performance Report. Corrections on the basis of the climate adjustment mechanism described in Section 2.4 will be presented along with the draft budget.

#### **Box 4 – Disaggregation and double counting: a practical challenge explained**

Monitoring and reporting expenditure on cross-cutting policy priorities implies that every euro spent through the budget will be reported under various headings, depending on the objectives for which it was spent. For example, a euro spent through the common agricultural policy to provide income support to farmers to increase hedges and tree rows in fields supports sustainable agriculture, helps fight climate change and may improve biodiversity. Beyond supporting the specific objectives of the common agricultural policy, that euro should therefore also count as part of the amount spent by the EU budget on climate and biodiversity.

Treating each euro as contributing to several objectives is inherent to the idea of meaningful and well-designed climate mainstreaming. As long as it is clear that a single project makes positive contributions to several objectives, this double counting does not inflate contributions. On the contrary, it shows an efficient use of limited resources, where each project is designed to contribute to several objectives at the same time. It does mean, however, that money spent cannot simply be aggregated across different objectives.

## **4 BEYOND THE 30% TARGET**

### *4.1 THE 'DO NO HARM' PRINCIPLE*

While it is important that a significant part of the EU budget contributes to the fight against climate change, it is equally essential to ensure that the rest of the EU budget does not worsen the existing situation. In addition, activities aimed at tackling climate change should not harm other (often interrelated) environmental aspects such as water resources, the circular economy, biodiversity or efforts to prevent and control pollution. This is the 'do no harm' principle. First put forward in the European Green Deal Communication, the principle states that all EU policies and activities should pull together to help the EU achieve a successful and just transition to a sustainable future, in line with the EU's climate and environmental objectives.

In a budgetary context, the 'do no harm' principle means restricting expenditure with potentially negative climate and environmental impacts. This can include projects that produce a lot of greenhouse gas emissions, directly or indirectly subsidise fossil fuel-intensive activities, perpetuate the structures of the carbon economy, impede the transition to a more circular economy or worsen biodiversity loss or pollution.

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<sup>24</sup>This presents key information on the [financing of horizontal policy priorities in the EU budget](#), covering climate, biodiversity, gender and Sustainable Development Goals, as provided for in point 16 (d,e,f,g) of the (IIA)

### Box 5 – Putting the ‘do no harm’ principle into practice: the case of climate proofing

The ‘do no harm’ principle is not entirely new. Rules on climate proofing were already in place under the 2014-2020 budget to ensure that infrastructure expenditure would be ‘future-proof’. In that context, climate proofing meant ensuring that investments, for example in infrastructure, would be resilient against harmful climate events. The higher global temperatures rise, the greater the potential risks to some of these investments. Climate proofing therefore enables institutional and private investors to make informed decisions on investment projects. In this way they can play a crucial role in adapting to future climate events.

In 2021, the Commission issued new technical guidance on climate proofing infrastructure for the 2021-2027 programming period.<sup>25</sup> The guidance applies to the EU’s main infrastructure programmes: the Connecting Europe Facility, InvestEU, the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund.

Climate proofing will be based on two strands – mitigation and adaptation – and will be conducted in two phases: screening followed by detailed analysis. Climate vulnerability and risk assessment will remain the basis for implementing climate change adaptation measures. Relevant documentation and verification of climate proofing forms will be available to provide complete information for potential investment decisions.

In the context of the EU budget, **the obligation to respect the ‘do no harm’ principle is laid down in article 16 of the IIA accompanying the 2021-2027 MFF**. The principle is applied in light of the definition and framework contained in Article 17 of the EU Taxonomy Regulation. This establishes what constitutes ‘significant harm’ for climate and environmental objectives (see Annex II for a complete overview of how the principle is applied in different EU funding programmes).

The EU budget puts this principle into practice in all its programmes, while recognising that programmes in different policy fields (such as customs or migration) might not be able to apply the principle in the same way. In this sense, a one-size-fits-all formulation of the ‘do no harm’ principle across the different policy areas of the EU budget is neither necessary nor appropriate, considering different implementation cycles, management modes and activities funded. This also implies that the technical screening criteria referred to in Article 19 of the Taxonomy Regulation and established through delegated acts are not necessarily applicable to all programmes funded under the EU budget.

Irrespective of the precise arrangements for putting the ‘do no harm’ principle into practice in specific programmes, it is important to apply the substance of the principle consistently. The Commission has been working to provide all relevant actors with clear guidance on this. **Annex II** presents a complete overview of how the principle is put into practice in the EU budget.

### Box 6 – The ‘do no significant harm’ principle in the Recovery and Resilience Facility

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<sup>25</sup> [C\(2021\) 323/1](#), Technical guidance on the climate proofing of infrastructure in the period 2021-2027



Under Article 5 of Recovery and Resilience Facility Regulation, it is mandatory to apply the ‘do no significant harm’ principle within the meaning of Article 17 of the EU Taxonomy Regulation. For every reform and investment in their national recovery and resilience plan, a Member State must show that the ‘do no significant harm’ principle is complied with for all six environmental objectives<sup>26</sup>. Otherwise, the plan will not be accepted. The Commission has provided guidance<sup>27</sup> for Member States on complying with the principle. Member States are not required to refer to the technical screening criteria established by the Taxonomy Regulation to demonstrate compliance with the principle - while having the option of doing so. While this guidance is broadly aligned with the EU taxonomy, it leaves some flexibility

#### 4.2 GREEN OWN RESOURCES AND NGEU GREEN BONDS

The Commission’s 2021-2027 MFF proposal tabled in 2018 included an EU own resource based on **non-recycled plastic packaging waste**<sup>28</sup>. It entered into force in 2021 and is expected to generate around EUR 6 billion a year. In the interinstitutional agreement of December 2020, the Commission committed to propose two more green own resources: one based on the **EU Emission Trading System (ETS)**<sup>29</sup> and the other on the **Carbon Border Adjustment Mechanism**<sup>30</sup>. These proposals were tabled in December 2021<sup>31</sup>.

NGEU will unlock EUR 807 billion to help the European economy recover. As announced by President von der Leyen in her State of the Union address in 2020<sup>32</sup>, **30% of the package will be financed by green bonds**. These fixed-income debt instruments to finance climate- or environmentally-relevant expenditure demonstrate the Commission’s ambition to boost the green transition and step up the fight against climate change.

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<sup>26</sup> Under the Commission proposal of RRF amendment under the RepowerEU chapter, investments improving energy infrastructure to support security of supply, notably through diversification of fossil fuel suppliers for the Union as a whole, are exempted from the provision to show DNSH compliance

<sup>27</sup> [C\(2021\)1054 final](#), Technical guidance on the application of ‘do no significant harm’ under the Recovery and Resilience Facility Regulation

<sup>28</sup> [Plastic Own Resource](#)

<sup>29</sup> Some of the proceeds from the ETS will be used to finance two funds: the Modernisation Fund and the Innovation Fund. Both funds focus on supporting the transition to a carbon-neutral economy. The Innovation Fund will provide around EUR 25 billion (at EUR 50 per tonne of CO<sub>2</sub>) of support from 2020 to 2030, depending on the carbon price, for the commercial demonstration of innovative low-carbon technologies. The goal is to bring to the market industrial solutions to decarbonise Europe and support its transition to climate neutrality. The Modernisation Fund will support 10 lower-income EU Member States in their transition to climate neutrality by helping to modernise their energy systems and improve energy efficiency. It is financed by revenues from auctioning 2% of the total allowances for 2021-2030 under the ETS. Both funds are outside of the 2021-2027 MFF and therefore do not count towards the 30% target.

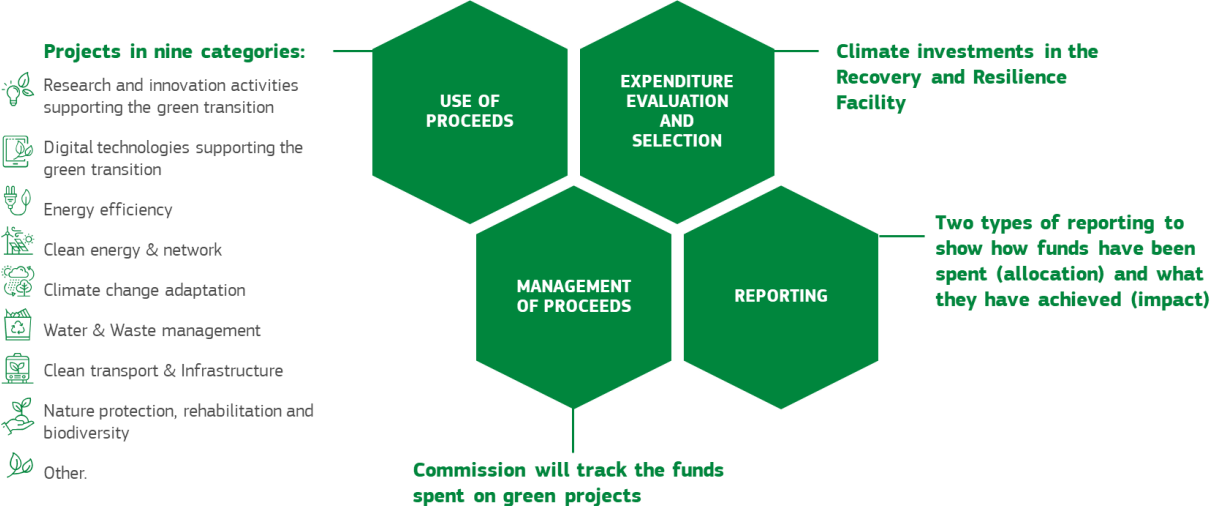
<sup>30</sup> [COM\(2021\)564 final](#), Carbon Border Adjustment Mechanism

<sup>31</sup> [Own resources legal texts](#)

<sup>32</sup> [State of the Union 2020](#)

The Commission plans to issue up to EUR 250 billion of green bonds (in current prices)<sup>33</sup>, making it the world’s largest issuer of green bonds. The **Green Bond Framework** guiding these issuances and its independent second party opinion<sup>34</sup> were adopted in September 2021. The NGEU green bond framework is based on market standards and provides the basis for how proceeds raised by green bonds are used and for reporting by the Commission (see figure 4). The framework relies on the climate tracking methodology included in the Recovery and Resilience Facility Regulation (Annex VI)<sup>35</sup> to identify measures that will be financed by proceeds from green bonds.

Figure 4 - Overview of the NGEU green bond framework



The Commission issued the first NGEU green bonds in October 2021, raising EUR 12 billion. The bonds performed strongly, being 11 times oversubscribed. This sees the EU join the second segment of Environmental, Social and Corporate Governance (ESG) labelled bonds, one of the fastest-growing segments in capital markets.

4.3 CROSS-CUTTING INDICATORS

As well as calculating the amount of climate finance, it is also important to ascertain its impact on climate change.

In its Performance Communication, the Commission explained its work on cross-cutting indicators. These are performance indicators that allow diverse interventions implemented through different programmes and funding but with the same objective to be assessed. Work on these indicators, currently in its pilot phase, aims to gather indicators, create a common base and agree on a method to aggregate contributions. The information extracted from the

<sup>33</sup> The amount is indicative and will depend on the actual absorption of funds from the NGEU instrument

<sup>34</sup> [SWD\(2021\) 242 final](#), NextGenerationEU Green Bond Framework

<sup>35</sup> [Regulation \(EU\) 2021/241](#)

indicators is particularly important to identify the contribution of different EU spending programmes and aggregate them to complex, multi-dimensional objectives.

One ongoing pilot aims to measure the effects of climate finance. Its results will be very important, including for the impact reporting required under the framework for the issuance of green bonds.

## 5 ANNEX I – CLIMATE METHODOLOGY

This Annex presents details on the methodological approach followed to track climate-relevant financing. Tracking is based on an **activity-based approach where all programmes that finance specific types of interventions apply the same EU climate coefficient**.

As outlined in the main text, the Common Provisions Regulation (CPR)<sup>36</sup> serves as basis for a significant proportion of the climate coefficients in the methodology. The basis for the coefficients is reflected in the table below in the “reference” column. For the areas and interventions not covered by the CPR, other programmes are identified in the reference column. Independent from the applicable programme, all programmes in the EU budget will apply the same coefficient for the same type of intervention. When the activities are not covered by the guidance below, the climate coefficient will be assigned on a case by case basis, following the approach of the climate coefficient to minimise discrepancies and reduce discretionality. The column “effect-based criteria” provides specific benchmarks that the interventions need to fulfil in order to meet the corresponding coefficient. These criteria are largely based on the approach used in the CPR, RRF, CEF and InvestEU (only a reference to the CPR intervention field is included to avoid repetitions).

For convenience and readability, the coefficients have been grouped by larger policy areas: **Energy, Transport, Environment and Natural Resources, Climate Change Adaptation, Good Governance & Social Dimension, and Research & Innovation**. Each policy area includes a variety of different intervention types. For interventions not directly covered by the table below, an EU climate coefficient will be assigned according to the principles outlined in section 3.1.

For the Common Agricultural Policy, the methodology included in Regulation (EU) 2021/2115 is valid from 2023 – after the transition period – until 2025, after which the Commission will adopt a delegated acts with an updated approach.

For the Just Transition Fund all investments will be assigned a 100% climate coefficient, in line with the JTF Regulation<sup>37</sup>.

For the Recovery and Resilience Facility, Article 19(3) points (e) and (f) of the RRF Regulation and Annexes VI and VII set out applicable climate coefficients. According to these provisions, the climate coefficients may be increased (up to 3% of the total climate expenditure in recovery and resilience plans) provided that the investments are accompanied by policy measures that increase their impact. Member States should justify the use of such provisions where relevant.

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<sup>36</sup> [Regulation \(EU\) 2021/1060](#), Common Provisions Regulation

<sup>37</sup> Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund

For the purpose of reporting under the EU budget, and starting in June 2025, the EU climate coefficients will also be applied to climate expenditure under the MFF’s Heading 6 (‘Neighbourhood and the world’)<sup>38</sup>. At the same time, to report the EU’s international climate finance to the OECD, the UNFCCC and the Paris Agreement, as well as other international agreements or frameworks, in line with the international commitments the Rio markers will continue to be used.<sup>39</sup>

5.1 ENERGY

This cluster groups together actions covering the energy sector, notably energy efficiency and renewable energy. As a large share of GHG emissions in the EU comes from the energy system, investment to reduce emissions to achieve the EU’s 2030 and 2050 climate goals.<sup>40</sup> These actions are mainly implemented through the following programmes: RRF; Cohesion policy funds, INVESTEU, CEF, NDICI, Horizon Europe, Life, and TSI.

| Intervention  | Climate coefficient | Reference       | Effect-based criteria   |
|---|---------------------|-----------------|---|
| Energy efficiency and demonstration projects in SMEs and supporting measures  | 40%                 | CPR ANNEX I 038 |   |
| Energy efficiency and demonstration projects in large enterprises and supporting measures   | 40%                 | CPR ANNEX I 039 |   |
| Energy efficiency and demonstration projects in SMEs or large enterprises and supporting measures compliant with energy efficiency criteria | 100%                | CPR ANNEX I 040 | (a) If the objective of the measure is to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786 or (b) if the objective of the measures is to achieve, on average, at least a 30 % reduction of direct and indirect GHG emissions compared to the ex-ante emissions. |
| Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures                                      | 40%                 | CPR ANNEX I 041 |   |

<sup>38</sup> NDICI Article 41.8 states :“The funding allocated under the Instrument shall be subject to an annual tracking system based on the methodology of the OECD, namely the ‘environmental markers’ and ‘Rio markers’, without excluding the use of more precise methodologies where these are available”.

<sup>39</sup> A tool will be developed to ensure mutual conversion with low administrative costs

<sup>40</sup> [COM\(2018\)733](#), A Clean Planet for All

|   |             |                        |   |
|---|-------------|------------------------|---|
| <p>Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures compliant with energy efficiency criteria</p>                                     | <p>100%</p> | <p>CPR ANNEX I 042</p> | <p>If the objective of the measure is to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786. The renovation of buildings is also meant to include infrastructure in the sense of intervention fields 85 to 92.</p>  |
| <p>Construction of new energy efficient buildings</p>   | <p>40%</p>  | <p>CPR ANNEX I 043</p> | <p>If the objective of the measures concerns the construction of new buildings with a Primary Energy Demand (PED) that is at least 20 % lower than the NZEB requirement (nearly zero-energy building, national directives). The construction of new energy efficient buildings is also meant to include infrastructure in the sense of intervention fields 85 to 92.</p>  |
| <p>Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures</p>   | <p>40%</p>  | <p>CPR ANNEX I 044</p> |   |
| <p>Energy efficiency renovation or energy efficiency measures regarding public infrastructure, demonstration projects and supporting measures compliant with energy efficiency criteria</p> | <p>100%</p> | <p>CPR ANNEX I 045</p> | <p>If the objective of the measure is (a) to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786 or (b) to achieve, on average, at least a 30 % reduction of direct and indirect GHG emissions compared to the ex-ante emissions. The renovation of buildings is also meant to include infrastructure in the sense of intervention</p> |

|   |      |                 |   |
|---|------|-----------------|---|
|   |      |                 | fields 85 to 92.  |
| Support to enterprises that provide services contributing to the low carbon economy and to resilience to climate change including awareness-raising measures  | 100% | CPR ANNEX I 046 |   |
| Development and uptake of services and solutions for energy efficiency and renewable deployment measures, including in building renovations, in line with EU climate and energy targets                               | 100% | LIFE Programme  |   |
| Support to public and private actors for the development and uptake of renewable energy communities   | 100% | LIFE Programme  |   |
| Support to public and private actors providing technical assistance, financial advices and innovative financing solutions for the development and aggregation of energy efficiency and sustainable energy investments | 100% | LIFE Programme  |   |
| Renewable energy: wind  | 100% | CPR ANNEX 047   |   |
| Renewable energy: solar   | 100% | CPR ANNEX 048   |   |
| Renewable energy: biomass   | 40%  | CPR ANNEX 049   | If the objective of the measure relates to the production of electricity or heat from biomass in line with Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82). |
| Renewable energy: biomass with high GHG savings   | 100% | CPR ANNEX 050   | If the objective of the measure relates to the production of electricity or heat from biomass in line with Directive (EU) 2018/2001; and if the objective of the measure is to achieve at least 80 % GHG emission savings at the facility from the use of biomass in relation to the GHG saving   |

|  |      |  |  |
|--|------|--|--|
|  |      |  | methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. If the objective of the measure relates to the production of biofuel from biomass (excluding food and feed crops), in line with Directive (EU) 2018/2001; and if the objective of the measure is to achieve at least 65 % GHG emission savings at the facility from the use of biomass for this purpose in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex V to Directive (EU) 2018/2001. |
| Renewable energy: marine   | 100% | CPR ANNEX 051  |  |
| Other renewable energy (including geothermal energy)                             | 100% | CPR ANNEX 052  |  |
| Other renewable energy (including geothermal energy) and low carbon technologies | 100% | InvestEU climate and environmental tracking marker 20 41 | This covers production of renewable and other forms of low-carbon hydrogen; capture of landfill gas; carbon capture and storage  |
| Green energy infrastructure  | 100% | InvestEU climate and environmental tracking marker 22    | This covers electricity transmission and distribution, CO2 transport and transmission and distribution of renewable and low-carbon gases: new and converted hydrogen and low carbon gases networks.  |



|  |      |  |  |
|--|------|--|--|
| Electricity transmission   | 100% | CEF Regulation 42  |  |
| Electricity storage  | 100% | CEF Regulation   |  |
| CO2 transport and storage  | 100% | CEF Regulation   |  |
| Gas transmission   | 40%  | CEF Regulation   | This covers gas transmission provided that it enables the increased use of renewable hydrogen or bio-methane   |
| Smart Energy Systems (including smart grids and ICT systems) and related storage. <sup>43</sup>    | 100% | CPR ANNEX 053<br>InvestEU climate and environmental tracking marker 21 |  |
| High efficiency co-generation, district heating and cooling  | 40%  | CPR ANNEX 054  |  |
| High efficiency co-generation, efficient district heating and cooling with low lifecycle emissions | 100% | CPR ANNEX 055  | In case of high-efficiency cogeneration, if the objective of the measure is to achieve life cycle emissions that are lower than 100gCO <sub>2</sub> e/kWh or heat/cool produced from waste heat. In case of district heating/cooling, if the associated infrastructure follows the Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, |

42 Recital

<sup>43</sup> It should be noted that the InvestEU methodology includes the same climate coefficient, however it also is more specific on the storage “*This covers electricity, thermal energy, and storage of hydrogen*”.

|  |  |   |
|--|--|---|
|  |  | 14.11.2012, p. 1) or the existing infrastructure is refurbished to meet the definition of the efficient district heating and cooling, or the project is an advanced pilot system (control and energy management systems, Internet of Things) or leads to a lower temperature regime in the district heating and cooling system. |
|--|--|---|

## 5.2 TRANSPORT

This cluster includes actions related to transport infrastructure, i.e. construction of new or modernization of already existing infrastructure. In order for the EU to reach its climate neutrality objective, the transport sector needs to reduce its emissions by 90% in 2050. The main focus is on clean transport and the reduction of GHG emissions, especially from road transport. These actions are mainly implemented through the following programmes: RRF; Cohesion policy funds, INVESTEU, CEF, and NDICI.

| <b>Intervention</b>   | <b>Climate coefficient</b> | <b>Reference</b> | <b>Effect-based criteria</b>   |
|---|----------------------------|------------------|--|
| Digitalisation of transport when dedicated in part to GHG emissions reduction: road | 40%                        | CPR ANNEX 095    |  |
| Newly built or upgraded railways - TEN-T core network                               | 100%                       | CPR ANNEX 096    |  |
| Newly built or upgraded railways - TEN-T comprehensive network                      | 100%                       | CPR ANNEX 097    |  |
| Other newly or upgraded built railways  | 40%                        | CPR ANNEX 098    |  |
| Other newly or upgraded built railways – electric/zero emission                     | 100%                       | CPR ANNEX 099    | If the objective of the measure relates to electrified trackside and associated subsystems or if there is a plan for electrification or it will be fit for use by zero tailpipe emission trains within 10 years. |

|  |      |                 |  |
|--|------|-----------------|--|
| Reconstructed or modernised railways - TEN-T core network                            | 100% | CPR ANNEX 100   |  |
| Reconstructed or modernised railways - TEN-T comprehensive network                   | 100% | CPR ANNEX 101   |  |
| Other reconstructed or modernised railways   | 40%  | CPR ANNEX 102   |  |
| Other reconstructed or modernised railways – electric/zero emission                  | 100% | CPR ANNEX 103   | If the objective of the measure relates to electrified trackside and associated subsystems or if there is a plan for electrification or it will be fit for use by zero tailpipe emission trains within 10 years. |
| Digitalisation of transport: rail  | 40%  | CPR ANNEX 104   |  |
| European Rail Traffic Management System (ERTMS)                                      | 40%  | CPR ANNEX 105   |  |
| Mobile rail assets   | 0%   | CPR ANNEX I 106 |  |
| Mobile zero emission/electric powered rail assets                                    | 100% | CPR ANNEX 107   | Also applies to bi-mode trains.  |
| Clean urban transport infrastructure   | 100% | CPR ANNEX 081   | Clean urban transport infrastructure refers to infrastructure that enables the operation of zero-emission rolling stock.   |
| Clean urban transport rolling stock  | 100% | CPR ANNEX I 082 | Clean urban transport rolling stock refers to zero-emission rolling stock.   |
| Cycling infrastructure   | 100% | CPR ANNEX I 083 |  |
| Digitalisation of urban transport  | 0%   | CPR ANNEX I 084 |  |
| Digitalisation of transport when dedicated in part to GHG emissions reduction: urban | 40%  | CPR ANNEX I     |  |

|   |      |                 |   |
|---|------|-----------------|---|
| transport   |      | 085             |   |
| Alternative fuels infrastructure  | 100% | CPR ANNEX I 086 | If the objective of the measure is in line with Directive (EU) 2018/2001. |
| Multimodal transport (TEN-T)  | 40%  | CPR ANNEX I 108 |   |
| Multimodal transport (not urban)  | 40%  | CPR ANNEX I 109 |   |
| Seaports (TEN-T)  | 0%   | CPR ANNEX I 110 |   |
| Seaports (TEN-T) excluding facilities dedicated to transport of fossil fuels                                | 40%  | CPR ANNEX I 111 |   |
| Other Seaports  | 0%   | CPR ANNEX I 112 |   |
| Other seaports excluding facilities dedicated to transport of fossil fuels                                  | 40%  | CPR ANNEX I 113 |   |
| Inland waterways and ports (TEN-T) excluding facilities dedicated to transport of fossil fuels              | 40%  | CPR ANNEX I 114 |   |
| Inland waterways and ports (regional and local) excluding facilities dedicated to transport of fossil fuels | 40%  | CPR ANNEX I 115 |   |
| Digitising transport when dedicated in part to GHG emissions reduction: other transport modes               | 40%  | CPR ANNEX I 120 |   |

### 5.3 ENVIRONMENT AND NATURAL RESOURCES

This area includes activities linked to the use of (natural) resources. They include water and waste management, maritime resources and agricultural activities. These actions are mainly implemented through the following programmes: RRF, Cohesion policy funds, INVESTEU, CAP, EMFAF, and LIFE.

| Intervention | Climate coefficient | Reference | Effect-based criteria |
|--------------|---------------------|-----------|-----------------------|
|--------------|---------------------|-----------|-----------------------|

|  |     |                 |   |
|--|-----|-----------------|---|
| Provision of water for human consumption (extraction, treatment, storage and distribution infrastructure, efficiency measures, drinking water supply) compliant with efficiency criteria | 40% | CPR ANNEX I 063 | If the objective of the measure is for the constructed system to have an average energy consumption of $\leq 0,5$ kWh or an Infrastructure Leakage Index (ILI) of $\leq 1,5$ , and for the renovation activity to decrease the average energy consumption by more than 20 % or decrease leakage by more than 20 %.          |
| Water management and water resource conservation (including river basin management, specific climate change adaptation measures, reuse, leakage reduction)                               | 40% | CPR ANNEX I 064 |   |
| Waste water collection and treatment   | 0%  | CPR ANNEX I 065 |   |
| Waste water collection and treatment compliant with energy efficiency criteria   | 40% | CPR ANNEX I 066 | If the objective of the measure for the constructed front-to-end waste water system to have net zero energy use or for the renewal of the front-to-end waste water system to lead to a decreased average energy use by at least 10 % (solely by energy efficiency measures and not by material changes or changes in load). |
| Household waste management: prevention, minimisation, sorting, reuse, recycling measures   | 40% | CPR ANNEX I 067 |   |
| Household waste management: residual waste treatment   | 0%  | CPR ANNEX I 069 |   |
| Commercial, industrial waste management: prevention, minimisation, sorting, reuse, recycling measures  | 40% | CPR ANNEX I 069 |   |
| Commercial, industrial waste management: residual and hazardous waste  | 0%  | CPR ANNEX I 70  |   |
| Promoting the use of recycled materials as raw materials   | 0%  | CPR ANNEX I 071 |   |

|  |       |                   |  |
|--|-------|-------------------|--|
| Use of recycled materials as raw materials compliant with the efficiency criteria  | 100%  | CPR ANNEX I 072   | If the objective of the measure is to convert at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials. |
| Rehabilitation of industrial sites and contaminated land   | 0%    | CPR ANNEX I 073   |  |
| Rehabilitation of industrial sites and contaminated land compliant with efficiency criteria  | 40%   | CPR ANNEX I 074   | If the objective of the measure is to turn industrial sites and contaminated land into a natural carbon sink.  |
| Air quality and noise reduction measures   | 40%   | CPR ANNEX I 077   |  |
| Protection, restoration and sustainable use of Natura 2000 sites.  | 40%   | CPR ANNEX I 078   |  |
| Nature and biodiversity protection, natural heritage and resources, green and blue infrastructure  | 40%   | CPR ANNEX I 079   |  |
| Other measures to reduce greenhouse gas emissions in the area of preservation and restoration of natural areas with high potential for carbon absorption and storage, e.g. by rewetting of moorlands, the capture of landfill gas. | 100%  | CPR ANNEX I 080   |  |
| Reducing negative impacts and/or contributing to positive impacts on the environment and contributing to a good environmental status   | 100 % | EMFAF Annex IV 01 |  |
| Contributing to climate neutrality   | 100 % | EMFAF Annex IV 03 |  |
| Temporary cessation of fishing activities  | 100 % | EMFAF Annex IV 04 |  |
| Permanent cessation of fishing activities  | 100 % | EMFAF Annex IV 05 |  |
| Contributing to a good environmental status through implementing and monitoring of marine protected areas, including Natura 2000   | 100 % | EMFAF Annex IV 06 |  |
| Animal health and welfare  | 40 %  | EMFAF Annex IV 09 |  |
| Control and enforcement  | 40 %  | EMFAF Annex IV 10 |  |

|   |       |                   |  |
|---|-------|-------------------|--|
| Data collection and analysis, and promotion of marine knowledge   | 100 % | EMFAF Annex IV 11 |  |
| Maritime surveillance and security  | 40 %  | EMFAF Annex IV 12 |  |
| CLLD implementation of strategy   | 40 %  | EMFAF Annex IV 14 |  |
| Investments in afforestation, reforestation, forest rehabilitation/restoration including related equipment as well as sustainable forest management (SFM).  | 40%   | InvestEU (EIF)    | compliance documentation with the definition of sustainable forest management established in pan-European framework of Forest Europe technical documents |
| Investments in new or existing sustainable and/or organic primary crop and/or existing sustainable animal (incl. livestock and aquaculture) production activities conducted by certified operators or in supporting business to convert to organic and/or sustainable certified production, which do not lead to the conversion, fragmentation or intensification of use of natural habitats (particularly areas of high-biodiversity value). | 40%   | InvestEU (EIF)    | Investment/Business plan for implementing new measures, expansion of and/or conversion to organic and/or sustainable production                          |

#### 5.4 CLIMATE CHANGE ADAPTATION

This section includes EU expenditure whose primary objective is to support climate change adaptation. Several relevant actions are included in other sections, as a strict distinction between interventions covering climate adaptation and mitigation is not always possible. Financial support for these activities is often also accounted for in other tracking methodologies such as for biodiversity/environment, frequently with a higher coefficient. These actions are mainly implemented through the following programmes: RRF, Cohesion Funds, InvestEU and EMFAF.

| Intervention  | Climate coefficient | Reference       | Effect-based criteria |
|---|---------------------|-----------------|-----------------------|
| Adaptation to climate change measures and prevention and management of climate related risks: floods and landslides (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches) | 100%                | CPR ANNEX I 058 |                       |

|   |      |                   |  |
|---|------|-------------------|--|
| Adaptation to climate change measures and prevention and management of climate related risks: fires (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches)                           | 100% | CPR ANNEX I 059   |  |
| Adaptation to climate change measures and prevention and management of climate related risks: others, e.g. storms and drought (including awareness raising, civil protection and disaster management systems, infrastructures and ecosystem based approaches) | 100% | CPR ANNEX I 060   |  |
| Promoting conditions for economically viable, competitive and attractive fishery, aquaculture and processing sectors  | 40 % | EMFAF Annex IV 02 |  |

## 5.5 GOOD GOVERNANCE & SOCIAL DIMENSION

This cluster includes the expenditures that provide support for companies or public administrations that directly or indirectly enable the reduction of carbon footprint of others. The cluster also includes the social dimension of climate change, taking into account the aspects of transition and the skill needed to enable all the other clusters. These actions are mainly implemented through the following programmes: RRF, Cohesion policy funds, INVESTEU, CEF, NDICI, Union Space Programme, JTM, LIFE and ESF+.

| <b>Intervention</b>  | <b>Climate coefficient</b> | <b>Reference</b> | <b>Effect-based criteria</b>  |
|--|----------------------------|------------------|---|
| Digitising SMEs or large enterprises (including e-commerce, e-business and networked business processes, digital innovation hubs, living labs, web entrepreneurs and ICT start-ups, B2B) compliant with GHG emission reduction or energy efficiency criteria | 40%                        | CPR ANNEX I 015  | If the objective of the measure is that the activity has to process or collect data to enable GHG emission reductions that result in demonstrated substantial life-cycle GHG emissions savings. If the objective of the measure requires data centres to comply with "European Code of Conduct on Data Centre |



|   |      |                 |   |
|---|------|-----------------|---|
|   |      |                 | Energy Efficiency”.   |
| Government ICT solutions, e-services, applications  | 0%   | CPR ANNEX I 016 |   |
| Government ICT solutions, e-services, applications compliant with GHG emission reduction or energy efficiency criteria  | 40%  | CPR ANNEX I 017 | If the objective of the measure is that the activity has to process or collect data to enable GHG emission reductions that result in demonstrated substantial life-cycle GHG emissions savings. If the objective of the measure requires data centres to comply with “European Code of Conduct on Data Centre Energy Efficiency”. |
| Support to environmentally-friendly production processes and resource efficiency in SMEs  | 40%  | CPR ANNEX I 075 |   |
| Support to environmentally-friendly production processes and resource efficiency in large enterprises   | 40%  | CPR ANNEX I 076 |   |
| ICT: Other types of ICT infrastructure (including large-scale computer resources/equipment, data centres, sensors and other wireless equipment)   | 0%   | CPR ANNEX I 036 |   |
| ICT: Other types of ICT infrastructure (including large-scale computer resources/equipment, data centres, sensors and other wireless equipment) compliant with the carbon emission reduction and energy efficiency criteria | 40%  | CPR ANNEX I 037 | If the objective of the measure is that the activity has to process or collect data to enable GHG emission reductions that result in demonstrated substantial life-cycle GHG emissions savings. If the objective of the measure requires data centres to comply with “European Code of Conduct on Data Centre Energy Efficiency”. |
| Outermost regions: support to compensate additional costs due to climate conditions and relief difficulties   | 40%  | CPR ANNEX I 177 |   |
| Contributing to green skills and jobs, and the green economy  | 100% | ESF+ Regulation |   |

|   |      |                       |  |
|---|------|-----------------------|--|
| Enhancing the capacities of public and private actors and the involvement of civil society in environmental, climate and sustainable energy (energy efficiency and renewable energy) governance | 100% | LIFE Programme        |  |
| Development, implementation, monitoring and enforcement of environmental, climate and sustainable energy (energy efficiency and renewable energy) Union legislation and policies                | 100% | LIFE Programme        |  |
| Support to citizen-led and community-driven initiatives in the field of sustainable energy (energy efficiency and sustainable energy)   | 100% | LIFE Programme        |  |
| Just Transition   | 100% | JTM Regulation        | Clear link of the product, activity or service as enabler for climate related activities<br><br>Clear link with climate objectives<br><br>Studies supporting climate related policy and technical issues |
| Copernicus  | 40%  | UNION SPACE PROGRAMME |  |
| ICT solutions related to climate objectives (e.g. databases, services, software)  | 40%  |                       |  |
| Communication activities (outreach, awareness raising, conferences) linked to climate relevant objectives   | 40%  |                       |  |
| Studies   | 40%  |                       |  |

## 5.6 RESEARCH AND INNOVATION

This cluster includes relevant Research and Innovation activities originating from the Horizon Europe programme and the Cohesion Funds. These actions are mainly implemented through the following programmes: RRF: Cohesion policy funds; INVESTEU; ITER; Horizon Europe, Euratom Research and Training Programme.

| Intervention   | Climate coefficient | Reference       | Effect-based criteria |
|--|---------------------|-----------------|-----------------------|
| Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change | 100%                | CPR ANNEX I 029 |                       |

|   |      |                    |  |
|---|------|--------------------|--|
| Research and innovation processes, technology transfer and cooperation between enterprises focusing on circular economy | 40%  | CPR ANNEX I 030    |  |
| Research on fusion energy   | 100% | Commission on ITER |  |
| Research on nuclear fission <sup>44</sup>   | 40%  | Research guidance  |  |

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<sup>44</sup> The Euratom programme puts a strong emphasis on developing nuclear skills and competence. This will allow Europe to maintain world leadership in nuclear safety and waste management and to attain the highest level of protection from radiation.

## 6 ANNEX II “DO NO HARM” OVERVIEW

### 6.1 WHAT IS THE “DO NO (SIGNIFICANT) HARM” PRINCIPLE?

According to the general principle of “do no harm” (DNH), activities ought to be conducted in a way that avoids inflicting damage on the environment. In the case of EU budgetary programmes, the commitment to respect the DNH principle is laid down in the European Green Deal Communication and the Inter-institutional Agreement accompanying the 2021-2027 MFF.

In addition to this general principle, Article 17 of the EU Taxonomy Regulation defines what constitutes ‘significant harm’ of economic activities as regards six environmental objectives. Specifically, Article 17 provides that an economic activity is considered to do significant harm to:

1. *climate change mitigation* if it leads to significant greenhouse gas (GHG) emissions;
2. *climate change adaptation* if it leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
3. *sustainable use and protection of water and marine resources* if it is detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters;
4. *the circular economy, including waste prevention and recycling*, if it leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm;
5. *pollution prevention and control* if it leads to a significant increase in emissions of pollutants into air, water or land;
6. *protection and restoration of biodiversity and ecosystems* if it is significantly detrimental to the good condition and resilience of ecosystems, or detrimental to the conservation status of habitats and species, including those of Union interest.

Article 19 of the EU Taxonomy Regulation provides that the technical screening criteria established under the regulation shall also cover the DNSH requirements. These are laid down in delegated acts. Such criteria are applicable to economic activities, and cannot be applied exhaustively to a wide range of instruments through which the EU budget is implemented.

Hence, while Article 17 of the Taxonomy Regulation constitutes an important reference to frame the DNH areas of application, the EU budget programmes have implemented different

safeguard measures tailored to each programme to ensure the respect of the DNH in relation to each programme's features, without the application of the Taxonomy's technical screening criteria. Starting from each programme's objectives and analysing the actual projects financed under it, each programme has mapped for which of the six DNSH aspects referred to above it could present a risk. On this basis, different approaches and tools have been developed to ensure compliance with each aspect of the principle.

Table 1 – DNSH implementation modalities in the EU budget

| <b>Tool</b>                      | <b>Definition</b>   | <b>Rationale</b>   | <b>Programmes</b>   |
|----------------------------------|---|--|---|
| <b>Selection phase screening</b> | Preliminary process determining proposals' eligibility for funding, based on the respect of the DNH principle and compliance with environmental legislation, including the submission of relevant information and certifications by the competent national authorities. | For programmes in direct management, it is possible to screen projects in line with the DNH principle. Furthermore, relevant environmental legislation is duly considered by all the EU budget programmes. The CAP reinforces this aspect with the establishment of "Good Agricultural and Environmental conditions (GAEC)".   | CEF, LIFE, Horizon Europe, EMFAF, CAP                                     |
| <b>Sustainability proofing</b>   | The practice of ensuring the social and environmental sustainability of operations in line with the Commission Notice on Technical guidance on sustainability proofing for the InvestEU Fund (C(2021) 2632 final).  | Sustainability refers to the three dimensions set out in Article 8(5) of the InvestEU Regulation: climate, environmental and social. To ensure that financing and investment operations receiving support from InvestEU Fund are in line with or contribute to the EU's broader sustainability commitments, the InvestEU Regulation requires an <i>ex ante</i> sustainability proofing to identify and address any significant impacts (negative and positive) that these operations might have on the three dimensions. | InvestEU  |
| <b>Climate proofing</b>          | Guidance document C(2021) 323/1 provides technical direction on climate proofing of the EU's main infrastructure programmes, strengthening the overall approach towards both climate adaptation and mitigation measures.  | Infrastructure financed by the EU needs to be "future-proofed", considering the long-term effect of climate both on the level of adaptation and mitigation.  | CEF, cohesion policy funds, InvestEU (as part of sustainability proofing) |
| <b>Technical DNSH</b>            | Commission Notice Technical guidance on the   | To ensure greater compliance, programmes   | RRF. References to  |

|   |  |  |   |
|---|--|--|---|
| <b>guidance</b>                           | application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C 58/01).  | implemented together with Member States use this guidance to assist national authorities in the implementation of the DNSH principles.   | the RRF guidance in cohesion policy funds (ERDF, CF, ESF+, JTF) |
| <b>Environmental Impact Assessment</b>    | The process of carrying out an Environmental Impact Assessment (EIA) as required by Directive 2011/92/EU, as amended by Directive 2014/52/EU on assessment of the effects of certain public and private Projects on the environment. The EIA process is composed of different steps: preparation of the EIA Report, publicity and consultation and decision-making. All projects listed in Annex I to the Directive (such as long-distance railway lines or motorways) require by default warrant an EIA. While for projects listed in Annex II, national authorities have to decide whether an EIA is needed.   | In line with the EIA Directive, projects likely to have significant effects on the environment by virtue, inter alia, of their nature, size or location are made subject to a requirement for development consent and an (ex-ante) assessment with regard to their effects on the environment.   | RRF, cohesion policy funds, ESF+, JTM, NDICI                    |
| <b>Strategic Environmental Assessment</b> | The objective of Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment ('SEA Directive') is to provide for a high level of protection of the environment and contribute to the integration of environmental considerations into the preparation, adoption and implementation of plans and programmes, with a view of promoting sustainable development. The SEA Directive applies to a wide range of public plans and programmes (e.g. on land use, transport, waste, energy, agriculture, water, etc.), which give rise to individual projects, including those co-financed by the European Union. Its | To achieve the objective of the SEA, plans and programmes which are identified as likely to have significant effects on the environment should be made subject to SEA. To decide whether a plan and programme falls under the scope of the SEA Directive the criteria of Article 2(a) and Article 3(2) of the SEA Directive should be met. The environmental effects can be taken into account while plans are actually being developed, and in due course adopted. The public must also be consulted on the draft plans and on the environmental assessment and their views must be taken into account. | Cohesion policy fund, CAP, EMFAF, RRF (in some MS)              |

|  |  |   |  |
|--|--|---|--|
|  | application should lead to more sustainable and resource efficient development through systematic appraisal of different options at a planning level.  |   |  |
| <b>Performance reporting system</b>                                | A framework ensuring that data for monitoring implementation and results are suitable for systematic climate tracking.   | Further reinforcement of the performance system that allows closer control.   | CEF, NDICI, AGRI   |
| <b>Exclusion list</b>  | List of activities that are excluded from funding, also based on their damage to climate and/or environment outlined in respective Regulations.  | Exclusion of activities allows for an easy and clear screening procedure.   | Cohesion policy funds, ESF+, JTM, EMFAF, NDICI             |
| <b>Sustainability criteria in the activities of the Commission</b> | Applies to actions that stems from the activities of the Commission, in line with the EMAS guidelines. This entails elements such the greening of the Commission's buildings, greener mobility and conferences, optimize digitalization and other sustainable practices. | The Commission heading 7 (European public administration) it's not tracked towards the 30% target (while still being part of the denominator). The Commission has announced its plan to become climate neutral in 2030. <sup>45</sup> | EU Budget – MFF Heading 7 (European Public Administration) |

<sup>45</sup> [C\(2022\)2230](#), Greening the Commission



## 6.2 2. EU BUDGET PROGRAMMES DETAILED OVERVIEW

The table shows how each programme in the EU budget as ensured that the “do no (significant) harm” is respected.

| <b>Programme</b>                       | <b>How is the DN(S)H ensured in the programme?</b>   | <b>Climate mitigation and adaptation</b>  | <b>Other environmental objectives</b> |
|--|--|---|---------------------------------------|
| Anti-Fraud Programme                   | No relevance   |   |                                       |
| Asylum, Migration and Integration Fund | The 2014-2020 programmes did not have specific requirements outlined as the CPR does now. However, the Member State still had to apply the environment acquis and the Paris agreement – in general for everything. There has only been need for environmental impact assessment in case of infrastructural projects. However, this type of project was never financed in the past period, as the AMIF provides funding for small scale infrastructural projects regarding reception and detention conditions.  |   |                                       |
| Common Agricultural Policy             | <p>Activities, interventions, eligibility conditions that would do harm to EU objectives will be screened during the approval process of the CAP Strategic Plans and will not be part of the interventions implemented by Member States.</p> <p>By assessing and adopting the CAP Strategic Plans, the Commission ensures that the DNH principle is respected right from the start.</p> <p>When amendments are made to any of the Union legislative acts concerning the environment and climate to whose objectives Member States’ CAP strategic plans should contribute to, and be consistent with, Member States are obliged to assess if their CAP Strategic Plans need to be amended accordingly.</p> <p>Member States will send annual performance reports to the Commission and the Commission will carry out a biennial performance review.</p> | <p>Member States have to submit a CAP Strategic Plan. This Plan will include the interventions which will be used to support activities carried out by CAP beneficiaries. Member States have to describe in their CAP Strategic plans how their “green architecture” – which is made up of basic conditionality rules, eco-schemes and interventions under rural development – will allow the objectives and targets set at EU level to be reached, using the instruments available at EU level. The CAP strategic plans are assessed, adopted, monitored and after implementation, evaluated by the Commission</p> <p>These instruments include an enhanced conditionality, strengthening the legal baseline of compulsory practices. On this basis, Member States will have to devote a significant part of the future CAP budget to financing sustainable farming practices, through in particular the eco-schemes and rural development interventions, in particular agri-environment and climate management commitments. Investments, including non-productive investments in climate change mitigation and adaptation, research and innovation, practical advice for farmers, etc. will also contribute to reaching the climate objectives. The CAP legal framework also includes specific provisions which seek to avoid negative effects on</p> |                                       |

| Programme                           | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation   | Other environmental objectives   |
|-------------------------------------|---|---|--|
|                                     |   | <p>the environment and climate. For instance, it includes a list of investments which are not eligible for support, such as investments in afforestation which are not consistent with sustainable forest management principles; or specific rules on investments in irrigation to ensure these are in line with WFD objectives of reaching good status. The SEA directive applies to CAP strategic plans, and most of them are subject to such assessment. As part of the SEA procedure, an environmental report is prepared, the public and the environmental authorities are informed and consulted on the draft programme and the environmental report. In some cases, transboundary consultations are carried out for programmes which are likely to have significant effects on the environment in another Member State. The environmental report and the results of the consultations are taken into account before adoption of (CAP) strategic plans.</p> <p>CAP implementation will be subject to biannual performance review by the Commission. In case of significant shortfall compared to agreed milestones, an appropriate procedure will be put in place to take remedial actions.</p> |  |
| Connecting Europe Facility - Energy | <p>The performance reporting system ensures that data for monitoring the implementation and the results of the CEF are suitable for climate tracking. To that end, proportionate reporting requirements are imposed on recipients of Union funds and, where appropriate, on Member States.</p> <p>Eligibility criteria for CEF Energy funding include compliance with environmental legislation, e.g. in relation to the EIA, SEA, Habitats and Water Framework directives, where relevant. During the CEF Energy evaluation process, relevant services (DG ENV) are associated and includes a compliance check with environmental legislation of project applications.</p> | <p>As stated in the CEF2 Regulation (2021/1153), CEF contributes to mainstreaming climate actions and to the achievement of an overall target of at least 30% of Union budget expenditure supporting climate objectives. In addition, the CEF Energy Work Programme for 2021-2027 is expected to contribute to the achievement of at least 60% of the overall financial envelope of the CEF Programme supporting climate objectives. Support to</p>   | <p>Obligation to conduct an EIA for projects falling under Annex I to the EIA Directive or for projects falling under Annex II, if determined through: (a) a case-by-case examination; or (b) thresholds or criteria set by the Member State (depending on the EIA system in a member state) that these would have significant effects on the environment. Environmental mitigation measures included in the EIA to be</p> |

| Programme                              | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation  | Other environmental objectives   |
|--|---|--|--|
|  | <p>Furthermore, in line with Recital 5 of the CEF legal base: 'In order to prevent infrastructure from being vulnerable to potential long-term climate change effects, and to ensure that the cost of GHG emissions arising from the project is included in the project's economic evaluation, projects supported by the CEF should be subject to climate proofing, where relevant, in accordance with guidance that should be developed by the Commission coherently with the guidance developed for other programmes of the Union'.</p> <p>The Project of Common Interest (PCI) selection process includes specifying sustainability criteria. In addition, PCIs applying for CEF funding are assessed on their contribution to the EU climate and energy targets (as part of the criteria for evaluating proposals) and need to comply with the guidance on climate-proofing of infrastructure projects.</p> <p>Cross-border natural gas infrastructure is in general excluded from the revised TEN-E Regulation. Consequently, such projects will no longer be able to receive the PCI status. The 5th PCI list of November 2021, follows the previous TEN-E Regulation and thus, natural gas projects are still eligible for a PCI status and CEF funding. These are only those projects that are critical for reducing bottlenecks and are aligned with decarbonisation objectives.</p> | <p>electricity transmission, electricity storage, smart grids, and CO<sub>2</sub> transport cross-border infrastructure as well as cross-border renewable energy projects will represent the majority of investments for the period 2021-2023, primarily contributing to climate goals, reducing CO<sub>2</sub> emissions and ensuring sustainability.</p> | <p>presented together with the application file for co-funding. Furthermore, applicants are required, if concluded in environmental assessments, for example, to establish activities relating to the mitigation of environmental impact and the preservation of biodiversity, notably as regards on-site nature restoration or the inclusion of specific infrastructure allowing for the continuity of the natural habitat or the safe crossing of animals.</p> |
| Connecting Europe Facility – Transport | <p>Although the CEF II Regulation does not include any explicit reference to the DNH principle, the six areas identified in the Taxonomy Regulation are well-covered at the level of eligibility, selection and implementation. With reference to the projects' selection phase, under CEF Transport, specific eligibility criteria refer to the respect of environmental legislation, including the</p>  | <p>The CEF programme aims at contributing with at least 60% of its budgetary allocation to climate relevant actions. Article 3.1 of the CEF Regulation clearly refers to the long-term decarbonisation commitments and the smart,</p>  | <p>The compliance with the SEA, EIA, the Habitats and the Water Framework Directives is checked during the evaluation of projects applications.</p> <p>When required in the EIA,</p>   |

| Programme | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation  | Other environmental objectives   |
|-----------|--|--|--|
|           | <p>submission of relevant information and certifications by the competent national authorities in relation to the EIA, SEA, Habitats and Water Framework Directives, where relevant. Moreover, building on the CEF I experiences, additional requirements have been introduced for the timing of the submission of the EIA. In particular, for relevant projects (works) it is currently requested to have an environmental impact assessment report completed by the submission of the co-funding application, hence further reinforcing the base for the Commission's assessment of the proposal.</p> <p>Moreover, along the whole CEF Transport evaluation procedure, the Commission reviews the relevant aspects related to the respect of the environmental legislation, with the possibility to reject projects not in line with the EU legislation or to include specific environmental conditionality clauses within the Grant Agreements. These aspects are closely monitored during the projects' implementation.</p> <p>Reinforcing the steps already mentioned above, in line with Recital 5 of the CEF legal base the projects supported by the CEF should furthermore be subject to climate proofing, where relevant, in accordance with guidance that should be developed by the Commission coherently with the guidance developed for other programmes of the Union.</p> | <p>sustainable and inclusive growth goals as underlying principles steering the achievement of the programme's objectives.</p> <p>In this framework, the first CEF Transport 2021-2027 Work Programme adopted on 5 August 2021, further commits the Commission with an indicative ambition to reach a 70% allocation to these measures.</p> <p>In particular, the support to the construction and upgrade of railway infrastructure (including electrification) and the focus on alternative fuels infrastructures, represent the backbone investments, primarily contributing to climate goals, improving multimodality, providing low and zero-emissions solutions, directly tackling CO<sub>2</sub> emissions and ensuring sustainability of transport.</p> <p>Moreover, the co-funding of projects related to inland waterways infrastructure, short sea shipping, the support to telematics applications for smart and interoperable mobility (including ERTMS) and to multimodal infrastructures for both passengers and freight will aim at fostering modal-shift and transport</p> | <p>applicants are required, to complete activities for the mitigation of environmental impact and the preservation of biodiversity. These usually concern on-site nature restoration or the inclusion of specific infrastructure allowing for the continuity of the natural habitat or the safe crossing of animals. Activities concerning the mitigation of environmental impact may also include noise protection barriers.</p> <p>Moreover, the Multi-Annual work programme includes specific reference to the support of activities related to the preservation of biodiversity, notably as regards on-site reforestation.</p> |

| Programme | How is the DN(S)H ensured in the programme? | Climate mitigation and adaptation  | Other environmental objectives |
|-----------|---|--|--------------------------------|
|           |   | <p>digitalisation, further contributing to climate objectives.</p> <p>The contribution to climate objectives also includes synergies with the energy sector, including the possibility to support the development of ports' capacities and facilities in relation to offshore wind farms and the support to grid connections for electro-mobility. Moreover, the programme could also support specific mitigation measures identified in the EIA, part of the application file for co-funding.</p> <p>On adaptation, the first CEF Transport 2021-2027 Work Programme also includes dedicated funding opportunities for the improvement of transport infrastructure resilience, in particular against climate change and natural disasters. These tasks should be developed in accordance with the National Adaptation Plan of the Member State concerned and might take the form of infrastructural upgrades or smart monitoring systems. Similarly to the CEF I programme, improvement of transport infrastructure resilience may also be eligible as part of other supported infrastructural actions (e.g. specific measures adopted in</p> |                                |

| Programme   | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation   | Other environmental objectives |
|---|---|---|--------------------------------|
|   |   | the framework of the design of a new railway line).   |                                |
| CEII  | The CCEI provides funding for customs control equipment at border crossing points and customs laboratories and includes Sustainability (including the environmentally-friendly disposal of replaced and/or upgraded equipment) as one of its award criteria   |   |                                |
| CERV  | No relevance  |   |                                |
| Cohesion policy funds (including CF, ERDF, ESF+, JTF) | <p>Article 9 (horizontal principles) of the CPR requires that “The objectives of the Funds shall be pursued in line with the objective of promoting sustainable development as set out in Article 11 TFEU, taking into account the UN Sustainable Development Goals, the Paris Agreement and the "do no significant harm" principle”.</p> <p>To operationalise the application of the principle under the cohesion policy, and to ensure a consistent application among Member States and with the RRF, the Commission issued an explanatory note to Member States in September 2021. The approach recommends programming authorities to follow the RRF approach when assessing their cohesion policy programmes against the DNSH principle before submitting it to the Commission for adoption (shared management). Certain activities that have negative impact on climate/environment are excluded from the scope of the Funds (pursuant to Article 7 of the ERDF and Cohesion Fund Regulation - Regulation (EU) 2021/1058). Use of Strategic Environmental Assessment. All the actions under the EaSI strand of the ESF+ programme, financed mainly through grants and procurements, aim to achieve high employment levels, fair social protection and a skilled and resilient workforce, as well as inclusive and cohesive societies in the Union. As such, the actions do not contradict the DNH principle (no significant harm to any of the six</p> | <p>The SEA directive applies to cohesion policy programmes, and most of them are subject to such assessment. As part of the SEA procedure, an environmental report is prepared, the public and the environmental authorities are informed and consulted on the draft programme and the environmental report. In some cases, transboundary consultations are carried out for programmes which are likely to have significant effects on the environment in another Member State. The environmental report and the results of the consultations are taken into account before adoption of (cohesion policy) programmes.</p> <p>The Commission asked programming authorities to carry out a dedicated DNSH assessment for all types of actions defined in their cohesion policy programme.</p> <p>Under shared management the selection of operations (projects) is the responsibility of Member States. Projects are subject to an environmental impact assessment and other environmental assessments if they fall under the scope of the EIA Directive or other directives that require environmental assessments.</p> <p>Furthermore, in selecting operations for funding under cohesion policy, national authorities have to ensure the climate proofing of investments in infrastructure which have an expected lifespan of at least 5 years.</p> <p>The Commission will promote the application of appropriate selection criteria that would prevent harmful activities being supported from cohesion policy funds.</p> |                                |

| Programme   | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation | Other environmental objectives |
|---|---|-----------------------------------|--------------------------------|
|   | <p>environmental objectives, within the meaning of Article 17, of the “EU Taxonomy Regulation” on the establishment of a framework to facilitate sustainable investment), or even might contribute positively. Indeed, the support to fair twin transitions and to green jobs, green skills and green economy are encompassed in the objectives of the ESF+ programme and actions funded must take into account those dimensions</p>  |                                   |                                |
| Civil protection mechanism                                |   |                                   |                                |
| Creative Europe   | <p>The Creative Europe Programme explores ways to smartly contribute to the wider environmental objectives set under the Green Deal while respecting the goals, the actions and intervention logic of the programme. The Commission will collaborate closely with the cultural and creative sectors and Member States to develop and share standards, tools and best practices, in line with the objective of climate neutrality.</p> <p>A study to be launched in 2021 will assess possibilities as to how environmental, sustainable and proportional measures can be effectively and efficiently introduced in the Creative Europe actions. Creative Europe MEDIA will also launch a policy dialogue on greening in 2021, including a common carbon calculator and a guide for green production, with the aim of working towards constructing a ‘green label’. In parallel, MEDIA will introduce financial incentives for green practices, notably the introduction of greening strategies and reduction of air travel as well as strengthening green skills and green innovation.</p> |                                   |                                |
| Customs   | No relevance.   |                                   |                                |
| Digital Europe Programme (DEP)                            | No relevance.   |                                   |                                |
| European Defence Fund (EDF)                               | No relevance.   |                                   |                                |
| European Maritime, Fisheries and Aquaculture Fund (EMFAF) | <p>The scope and conditions of the EMFAF Regulation ensure compliance with the DNSH principle.</p> <p>The Fund aims to promote environmental sustainability within the framework of the Common Fisheries Policy and EU environmental legislation. It outlines precise conditions and a list of ineligible operations to prevent harmful operations listed in Article 13 of the EMFAF Regulation.</p> <p>In addition, the Commission ensures through the assessment of the programmes on the basis of Article 8(5) requirements that the types of actions described in the programmes are consistent, where appropriate, with the DNSH principle, within the meaning of Article 17 of the Taxonomy Regulation.</p> <p>The SEA directive applies to EMFAF programmes, and many of them are subject to such assessment. As part of the SEA procedure,</p>  |                                   |                                |

| Programme | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation  | Other environmental objectives |
|-----------|--|--|--------------------------------|
|           | <p>an environmental report is prepared, the public and the environmental authorities are informed and consulted on the draft programme and the environmental report. In some cases, transboundary consultations are carried out for programmes which are likely to have significant effects on the environment in another Member State. The environmental report and the results of the consultations are taken into account before adoption of (EMFAF) programmes.</p>  |  |                                |
| Erasmus   | <p>The 2021-2027 Erasmus+ programme has set Environmental sustainability and fight against climate change as one of the horizontal priorities of the programme. The new Erasmus+ puts different mechanisms and initiatives at the disposal of organisations and participants to directly contribute to the green transition and the priorities of the European Green Deal, including the mitigation of the “harm” coming from the carbon footprint of mobility activities. Although the impact of the Programme may not be considered significant at global scale, Erasmus+ aims to reduce the greenhouse gas emissions associated with physical travelling for learning mobilities, to maximise awareness raising and to foster competences that are important for the environment and sustainable economy. In this sense, Erasmus+ is supporting the use of innovative and awareness-raising practices to make learners, staff and youth workers true factors of change (e.g. save resources, reduce energy use and waste, compensate carbon footprint emissions, opt for sustainable food and mobility choices, etc.).</p> <p>In the framework of the preparation of the Monitoring and evaluation framework of the programme, the Commission will assess the need to establish additional indicators to assess compliance with the DNSH.</p> | <p>The Erasmus+ National Agencies have been sensitised on the issue of green travels and sustainability for on-going and new projects. Furthermore, the Commission is planning to set up a new resource centre (‘SALTO’ on greening) to support the Erasmus+ National Agencies in this respect. This new resource centre would gather and share good practices, build capacity for green practices in collaboration with National Agencies and elaborate ‘eco-tips’ for participants and organisations with a view to making their mobility and activities more sustainable.</p> <p>Regarding travelling linked to learning mobility, the Commission cannot oblige the use of train above any other means of transport. The 27 Member States and 6 other countries fully associated with the programme vary significantly in terms of their geographical situation (islands, outermost regions, remote areas) and infrastructural conditions (e.g. poor connections, slow train network). The Erasmus+ programme does, however, strongly encourage the use of low-carbon means of transport and facilitates this by granting extra travel days and financial support for the use of low-carbon transport.</p> <p>For instance, an increased contribution for travellers using low-carbon means of transport is implemented for all Erasmus+ participants in learning mobilities (students, school pupils, VET students, staff, etc.). The new means include financial incentives as an extra economic help for the travel costs for participants using low-carbon means of transport (e.g. train), together with the possibility of having more days for travelling. The relevant programme IT tools have been adapted to monitor the carbon footprint associated with the travels.</p> <p>Environment and the fight against global warming are horizontal priorities for the selection of projects. Priority will be given to projects aimed at developing competences in various green sectors, including those in the</p> |                                |



| Programme                              | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation   | Other environmental objectives  |
|--|--|---|---|
|  |  | <p>framework of the contribution from education and culture to sustainable development goals, developing green sectorial skills strategies and methodologies, future-oriented curricula, as well as initiatives that support the planned approaches of the participating organisations regarding environmental sustainability.</p>  |   |
| <p>European Solidarity Corps (ESC)</p> | <p>The 2021-2027 European Solidarity Corps has set Environmental sustainability and fight against climate change as one of the horizontal priorities of the programme. The new European Solidarity Corps puts different mechanisms and initiatives at the disposal of organisations and participants to directly contribute to the green transition and the priorities of the European Green Deal, including the mitigation of the “harm” associated with the carbon footprint of mobility activities.</p> <p>Although the impact of the Programme may not be considered significant at a global scale, the European Solidarity Corps aims to reduce the greenhouse emissions associated to physical travelling of volunteers, to maximise awareness raising and to foster competences that are important for the environment and sustainable economy. In this sense, the European Solidarity Corps is supporting the use of innovative and awareness-raising practices to make young participants, staff of participating organisations and youth workers active contributors to change (e.g. by saving resources, reducing energy use and waste, compensating for carbon footprint emissions, opting for sustainable food and mobility choices, etc.).</p> <p>In the framework of the preparation of the Monitoring and Evaluation Framework of the programme, the</p> | <p>The National Agencies responsible for the implementation of the European Solidarity Corps actions in individual participating countries have been sensitised on the issue of green travels and sustainability in general for on-going and new projects. Furthermore, the Commission is planning to set up a new resource centre (‘SALTO’ on greening) to support National Agencies in this respect. This new resource centre would gather and share good practices, build capacity for green practices in collaboration with National Agencies and elaborate ‘eco-tips’ for participants and organisations with a view to enhance their mobility and activities more sustainable.</p> <p>In terms of mobility, the new European Solidarity Corps programme is gradually striving for carbon-neutrality by promoting and facilitating the use of low-carbon means transport modes (in</p> | <p>Environment and the fight against global warming is a key horizontal priority in the project selection procedure. Furthermore, mainstreaming environmentally sustainable practices into project design has been incorporated into the award criteria applied by the programme (both at the level of awarding the relevant accreditation to organisations wishing to apply for funding and at the level of individual projects, when it comes to selecting projects that may receive funding under the European Solidarity Corps).</p> <p>At the level of accreditation of organisations eligible to apply for funding (relevant to the action “Volunteering Projects”), the award criteria incorporates the following “green” sub-criterion: “The applicant aims to promote environmental sustainability and responsibility and is planning to</p> |

| Programme | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation  | Other environmental objectives  |
|-----------|---|--|---|
|           | <p>Commission will assess the need to establish additional indicators to assess compliance with the DNSH principle.</p> | <p>particular, travel by train).<br/> The new means include financial incentives as an additional economic support for the travel costs for participants using low-carbon means of transport (e.g. train), together with the possibility of having more days for travelling. The relevant programme IT tools have been adapted to monitor the carbon footprint associated with the travels. Regarding travelling linked to solidarity activities, the Commission cannot oblige the use of train above any other means of transport. The 27 Member States and the countries fully associated with the programme vary significantly in terms of their geographical situation (including islands, outermost regions, and remote areas) and infrastructural conditions (bad connections, slow train network). The European Solidarity Corps does, however, strongly encourage the use of low-carbon means of transport and facilitates this by granting extra travel days and financial support for the use of low-carbon transport. An increased contribution for travellers using low-carbon means of transport is implemented for all European Solidarity Corps</p> | <p>incorporate sustainable and environmental-friendly practices in the activities.”<br/> At the level of selecting specific projects for funding (this is relevant for the action “Solidarity Projects”, not covered by the accreditation), the award criterion “quality of the project design” (40 points out of max. 100) incorporates the following “green” sub-criterion: “The extent to which the project incorporates sustainable and environmental-friendly practices, accessible and inclusive activities, as well as makes use of digital tools and methods to complement and improve activities.”</p> |

| Programme      | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation  | Other environmental objectives   |
|----------------|--|--|--|
|                |  | participants.  |  |
| EU4HEALTH      | <p>All the actions under the EU4Health programme, financed mainly through grants and procurements, relate to improving and fostering health in the Union, protecting people in the Union from serious cross-border threats, improving the availability, accessibility and affordability of medicinal products and medical devices or strengthening health systems.</p> <p>As such, the actions do not contradict the DNH principle (no significant harm to any of the six environmental objectives, within the meaning of Article 17, of the “EU Taxonomy Regulation” on the establishment of a framework to facilitate sustainable investment), or even might contribute positively.</p> <p>The protection of health (no harm) is intrinsic to the objectives of the programme and in accordance with the One Health approach recognising that human health is connected to animal health and to the environment, and that actions funded must take into account those three dimensions.</p>  |  |  |
| Euratom        | <p>Direct references to the DNSH principle are not included in the Euratom Work Programme 2021-2022 as the Programme’s legal basis, Council Regulation (Euratom) 2021/765, do not provide for an objective directly linked to climate mitigation and adaptation. Work Programme funds research actions aiming for the development of a sound scientific and technical basis for the safe operation of reactors throughout these reactors’ entire life cycle; secure management of radioactive waste; robust systems to protect humans and the environment from the effects of ionising radiation and progress in fusion science and technologies that should lead to the realisation of the low-carbon fusion energy within the 2050 timeframe.</p> <p>At project level, the reference to the DNSH principle is included in the application form (proposal part B template, shared with in the Horizon Europe Work Programme) to offer researchers the possibility to present the credential of their projects in relation to the DNSH principle. Applicants can refer to the DNSH principle when presenting their research methodology and the expected impacts of the project, to show that their project will not carry out activities that make a significant harm to any of the six environmental objectives of the EU Taxonomy Regulation. However, evaluators will not score applications in relation to their compliance with the DNSH principle unless explicitly stated in the work programme (currently, this is the case only for actions in the European Innovation Council Work Programme 2021).</p> |  |  |
| Fiscalis       | No relevance.  |  |  |
| Horizon Europe | <p>Horizon Europe is a research and innovation programme that finances activities that create knowledge, develop technologies, support the integration of these technologies &amp; knowledge into products, services and ‘practices’; the programme further aims to support the creation of a favourable environment for the clean and digital transition and for growth of competitive innovative enterprises.</p>  | <p>DNSH proofing of topics at programming stage. In many parts of the programme climate change adaptation is one ambition amongst others; in some (for example the ‘Mission climate adaptation’) it is the primary ambition. However, there might be cases where</p> | <p>The Screening of topics showed that only a few topics out of more than 1000 were identified as potentially creating outcomes that could lead to significant harm to any of the 6 relevant environmental objectives. Some topics were identified which</p> |

| Programme | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation  | Other environmental objectives  |
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|           | <p>Research and innovation projects, even if at the demonstration stage of innovative technologies in infrastructural or building products, have only a limited direct environmental impact (e.g. compared to the development of industrial estates, urban development or infrastructures). A more important role of R&amp;I activities is the provision of ‘directionality for future development’; breaking – but not reinforcing – the lock-ins in technologies that are at the end of their lifecycle; and anticipating likely negative impacts to the environment of the next generation of technologies should they be successfully scaled. In this latter aspect the challenge is finding a balance between the principles of innovation and of precaution.</p> <p>The integration of DN(S)H in Horizon Europe has therefore two equally important pillars:<br/>The screening of proposed topics during the co-creation of the work programme with regards to the undesired aspect above, which have a high degree of uncertainty and require expert judgement.</p> <p>References on the DNSH principle are included in the General Introduction of the Work Programme 2021-2022 of Horizon Europe Pillar II ‘Global Challenges and European Industrial Competitiveness’ and in its Cluster 4 (Digital, Industry and Space), Cluster 5 (Climate, Energy and Mobility), and Cluster 6 (Food, Bioeconomy, Natural Resources, Agriculture and Environment) because of their particular relevance for environmental outcomes and impacts.</p> <p>At programming stage, the Horizon Europe Work Programme has been co-created to support research and innovation activities that respect climate and environmental priorities of the Union and cause no</p> | <p>individual beneficiaries participating in projects delay active adaptation measures as they are participating in ‘innovative projects’ or get a false impression that ‘being better informed’ (for example from new earth observation data) is already a sufficient adaptation measure. Such effects are known, they are however outside the ‘reach’ of the programme. Elsewhere, parts the programmes aim proactively at collaboration with committed frontrunners in order to manage this risk.</p> <p>The Screening of topics showed that only a few topics out of more than 1000 were identified as potentially creating outcomes that could lead to significant harm to any of the 6 relevant environmental objectives. Some topics were identified which could work against environmental objectives by reinforcing a technological lock-in in technologies not compatible with a climate neutral Europe.</p> <p>In most cases a reorientation was sufficient through some slight changes in scope and specifications to the wording of the topics.</p> | <p>could work against environmental objectives by reinforcing a technological lock-in in technologies not compatible with a climate neutral Europe.</p> <p>In most cases a reorientation was sufficient through some slight changes in scope and specifications to the wording of the topics.</p> |

| Programme | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation | Other environmental objectives |
|-----------|--|-----------------------------------|--------------------------------|
|           | <p>significant harm to them.</p> <p>At project level, the reference to the DNSH principle in the Horizon Europe Work Programme is included in the application form (proposal part B template) to offer researchers the possibility to present the credential of their projects in relation to the DNSH principle.</p> <p>Applicants can refer to the DNSH principle when presenting their research methodology and the expected impacts of the project, to show that their project will not carry out activities that make a significant harm to any of the six environmental objectives of the EU Taxonomy Regulation listed above.</p> <p>The integration of DN(S)H thinking at the level of proposals and granted projects in response to published topics (or in thematically ‘open calls’; i.e. calls that are not subject of strategic planning as the shall encourage curiosity, scientific and entrepreneurial excellence).</p> <p>Regarding the first aspect, all strategically formulated topics and industrial partnerships (so called pillar 2 of Horizon Europe and few others, for a total of about 60% of the budget) have been screened regarding direct, indirect effects and the potential reinforcement of lock-ins. For example, the programme was screened for providing support to fossil fuel technologies (nothing of substance found) or likely negative effects on green policy objectives in the long-term.</p> <p>About 15-20 topics (1-2%) were put under scrutiny (with specific discussion); around 5 topics were withdrawn or substantially modified.</p> <p>A similar screening exercise is foreseen for the WP 2023/24 – while giving DN(S)H principle even higher attention already in the drafting phase.</p> <p>Regarding the second aspect, for Work Programme</p> |                                   |                                |

| Programme                                   | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation | Other environmental objectives |
|---|--|-----------------------------------|--------------------------------|
|   | <p>(WP) 2021–2022, the DNSH is referred to as voluntary at project (proposal) level unless explicitly stated in the topic (as for specific parts of EIC).</p> <p>Overall, the implementation of DN(S)H in Horizon Europe includes the following:</p> <p>References in the Strategic Plan (as a consideration, voluntary at project level);</p> <p>References in the Single Basic Act relevant for Institutional Partnerships.</p> <p>At programming stage, screening of selected parts of the work programme for DNSH compliance to ensure that topics do not have the potential to attract non-DN(S)H compliant projects proposals from the outset.</p> <p>Furthermore, a Guidance for applicants in dedicated the Horizon Europe Programme Guide has been prepared.</p> <p>In the proposal application form, when describing the overall methodology, applicants are asked to "where relevant, include how the project methodology complies with the "do no significant harm" principle".</p> <p>Additionally, applicants are asked to describe any potential negative impacts as well as their expected positive impacts under the impact section although under no circumstances does the DNSH considerations of proposals contribute to the grading of a proposal under the current Work programme.</p> <p>Furthermore, References in the proposal evaluation form allows to collect information for monitoring and follow-up for projects.</p> <p>Use of the taxonomy may be demanded in specific part of the EIC.</p> |                                   |                                |
| Instrument for Financial Support for Border | The 2014-2020 programmes did not have the specific requirement as the CPR does now. However, the MS still had to apply the environment acquis and the Paris agreement – on general for everything. The need for an environment impact assessment applied to any infrastructure project. However, this type of project was never financed in the past period.   |                                   |                                |

| Programme                            | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation  | Other environmental objectives |
|--------------------------------------|---|--|--------------------------------|
| Management and Visa Policy 2021-2027 | The BMVI provide funding for fairly small-scale infrastructural projects at border crossing points.   |  |                                |
| INVESTEU                             | <p>InvestEU addresses the DNH principle through excluded activities (Annex V.B of the InvestEU Regulation), development of specific eligibilities that incorporate sustainability aspects and the requirement of performing sustainability proofing. In this respect, a sustainability proofing guidance was developed that includes recommendations on how an InvestEU supported operation can be assessed from a climate and environmental and social point of view (e.g. screening for impacts and assessment of identified impacts).</p> <p>The InvestEU Regulation does not require compliance with the technical screening criteria of the EU Taxonomy, but it requires that they are appropriately taken into account. In this respect, the technical screening criteria set in the Delegated Act(s) under the Taxonomy regulation can be used by InvestEU Implementing Partners to:</p> <p>(i) report on the contribution of the InvestEU operations to climate and environmental objectives</p> <p>(ii) they are recommended in the sustainability proofing guidance to be used – where relevant and on best effort basis - in the screening process and when mitigation measures are necessary (especially for climate neutrality) which once in place, can prove that the project/investment does not harm EU environmental objectives.</p> <p>In accordance with Article 8(5) of the InvestEU Regulation, financing and investment operations shall</p> | <p>As noted in Recital 10 of the InvestEU Regulation, the aggregate volume of financing and investment operations is expected to contribute at least 30% of the overall financial envelope of the InvestEU Programme to climate objectives. In addition, a specific target of at least 60% of the aggregate volume of financing and investment operations on climate and environment related objectives under the Sustainable Infrastructure window is laid down in Article 8(8) of the InvestEU Regulation for the EU compartment. The financing and investment operations are also expected to contribute to the overall Union biodiversity objectives.</p> <p>The InvestEU Programme rules integrate the technical screening criteria under the EU Taxonomy in a specific manner. For climate tracking, direct financing or investment operations that comply with the technical screening criteria defined for substantial contribution to climate change mitigation or adaptation of the EU Taxonomy delegated acts are to be assigned a 100% climate coefficient.</p> <p>Moreover, guidance on the positive agenda is provided (how to improve the sustainability performance of an operation).</p> <p>Based on the application of sustainability proofing guidance, mitigation measures might be put in place to reduce the emissions (valid for multiple sectors that are eligible for receiving InvestEU support).</p> <p>Sustainability proofing guidance provides recommendations on how impacts on the natural capital elements (air, water, soil/land and biodiversity + two cross-cutting elements: noise and odour) should be identified and assessed. It provides also guidance on how the compliance with environmental legislation can be verified, and recommendations for the positive agenda (enhancement of sustainability performance).</p> |                                |

| Programme | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation | Other environmental objectives |
|-----------|---|-----------------------------------|--------------------------------|
|           | <p>be screened by the implementing partner to determine if they support projects above a certain size and, in such case, whether they have any significant environmental, climate or social impact.</p> <p>If so, they shall be subject to sustainability proofing in accordance with guidance developed by the Commission in cooperation with potential implementing partners. The guidance on sustainability proofing takes into account the criteria defined under the EU Taxonomy, including the ‘do no significant harm’ principle.<sup>46</sup></p> <p>As per the Commission Notice on Technical guidance on sustainability proofing for the InvestEU Fund, “the technical screening criteria of the EU Taxonomy will be used appropriately, including the principle of do no significant harm, after entering into force, where relevant and to the extent possible, throughout the screening and proofing process”.<sup>47</sup> DNSH criteria in the Delegated Acts is foreseen to be applied, on a best effort basis, by implementing partners during proofing. The Guidance also requires that “The InvestEU midterm review must analyse the InvestEU climate tracking methodology and assess a potential further alignment with the EU Taxonomy technical screening criteria, including with the ‘do no significant harm’ criteria, for the remaining implementation period.”</p> <p>The main implementing partner of the InvestEU Fund, the EIB Group intends to align with the EU Taxonomy,</p> |                                   |                                |

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<sup>46</sup> C(2021) 2633, Commission Delegated Regulation setting out the investment guidelines for the InvestEU Fund, p 19.

<sup>47</sup> C(2021) 2632



| Programme                              | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation | Other environmental objectives |
|--|--|-----------------------------------|--------------------------------|
|  | <p>once the delegated acts are applied.</p> <p>Excluded activities, definition of eligibilities in Guarantee agreements, sustainability proofing<sup>48</sup> for operations above the threshold of EUR 10 million PIC.</p> <p>Projects that fall under the EIA Directive need to be screened regardless the total project cost and proofing performed, if necessary.</p>  |                                   |                                |
| Pre-accession Instrument III (IPA III) | <p>In IPA III regulation, recital 26, it is mentioned that “actions under IPA III should be consistent with the principle of ‘do no harm’ and should comply with Union taxonomy to the extent possible, in particular to ensure the sustainability of investments in the Western Balkans and Turkey.”</p> <p>For all objectives mentioned below, highest environmental and climate standards are ensured through various mechanisms, depending also on the type of activities, i.e. blending, grants, guarantee etc., for example:</p> <ul style="list-style-type: none"> <li>- a dedicated cross-cutting section in each project action document on how the project impact environment and climate;</li> <li>- a screening at early stage in the design of projects to assess whether an EIA/SEA or CRA are needed.</li> <li>- a review of the marking on biodiversity, DRR and climate by a technical facility.</li> </ul> |                                   |                                |
| Internal Security Fund (ISF)           | <p>The 2014-2020 programmes did not have the specific requirement as the CPR does now. However, the MS still had to apply the environment acquis and the Paris agreement – on general for everything. The need for an environment impact assessment applied to any infrastructure project. However, this type of project was never financed in the past period.</p> <p>The Internal Security may provide funding for small scale infrastructural projects (critical infrastructure, protection of public spaces), but those projects do not fall under categories below (no significant impacts on climate/environment).</p>   |                                   |                                |
| ITER                                   | <p>With reference to the joint and unilateral declaration issued on the 11th November 2020 by the EU Commission (without prejudice to the legislative powers of the European Parliament and the Council) the climate contributions from ITER for 2021-2027, in view of achieving an overall target of at least 30% of the total amount of Union budget and NGEU expenditures, indicates 100%.</p>  |                                   |                                |
| Justice Programme                      | Actions not relevant   |                                   |                                |
| LIFE                                   | The LIFE programme contributes to the shift towards a sustainable, circular, energy-efficient, renewable energy-based, climate-neutral and resilient economy, to protect, restore and improve the quality of the environment, including the air, water and soil, and   |                                   |                                |

<sup>48</sup> Explanations provided in this document related to the application of sustainability proofing requirements are in connection to direct finance provided by InvestEU Implementing Partners

| Programme                        | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation                                       | Other environmental objectives                                       |
|----------------------------------|---|---|--|
|                                  | <p>to halt and reverse biodiversity loss and to tackle the degradation of ecosystems, including supporting the implementation and management of the Natura 2000 network, thereby contributing to sustainable development.</p> <p>Therefore, the programme directly contributes to each of the six environmental objectives established in the taxonomy regulation (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, the protection and restoration of biodiversity and ecosystems). The Multiannual Work Programme 2021-2024 integrates the green oath and the ‘do no harm’ principle at the level of each sub-programme and for the selection of the proposals.</p> <p>Even if a project substantially contributes to one of the objectives of the programme, the possible negative effects on other objectives are also taken into consideration, which are strictly aligned to the six environmental objectives identified by the EU Taxonomy and the DNSH Principle.</p> <p>For this reason, the screening of projects to be financed<sup>49</sup> includes the assessment of the potential negative impacts on the other specific objectives of the LIFE programme. This ensures that no project that could substantially harm one of the six environmental objectives of the EU Taxonomy/ DNSH principle is financed</p> <p>Furthermore, projects will need to implement the EU clean energy and climate mitigation relevant legislation</p> |   |  |
| Macro-Financial Assistance (MFA) | <p>MFA is an emergency instrument mobilised on a case-by-case basis to help countries dealing with serious balance-of-payments difficulties. Its objective is to restore a sustainable external financial situation in partner countries, while encouraging economic adjustments and structural reforms aiming to return the beneficiary country’s economy to a sustainable long-term path. Unlike other forms of EU financial support, it is not meant to provide regular financial support for economic and social development.</p> <p>As regards funds disbursed under MFA, the Commission does not impose compliance with the DN(S)H principle. The reason is that the MFA is provided to countries typically at lower levels of development as budget support (which is fungible and cannot be pinned down to any particular expenditure), with the explicit goal to help them implement a macroeconomic adjustment out of a serious crisis situation. In these circumstances, the EU intervenes in support of the beneficiary country to advance its strategic interests but also, crucially, out of EU solidarity. The pace at which third countries want to transition to green is a choice that they themselves must make, and it would not be appropriate for the EU to extract commitments to policy choices that, while appropriate (and indeed necessary) for the EU itself, may not be for them, [especially considering that the negotiation is unbalanced (in view of the country's dire need)]</p>   |   |  |
| Neighbourhood, Development and   | The positive agenda approach establishes environmental sustainability and climate action as   | All actions are screened for their environmental and climate risks and, | NDICI covers a very broad range of sectors, some of which can result |

<sup>49</sup> This applies to projects covering about 85% of the budget of the LIFE programme.

| Programme                                    | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation   | Other environmental objectives   |
|--|--|---|--|
| International Cooperation Instrument (NDICI) | <p>essential objectives in EU development cooperation. Promoting sustainable development and the fight against climate change, and contributing to the Paris Agreement are part of the general objectives of the instrument; addressing global challenges such as climate change, the protection of biodiversity and the environment, are also defined as part of the Instrument's specific objectives (Art. 3). Thus, there is a legitimate bias towards activities with positive impacts on environment and climate action.</p> <p>Specifically, the 'do no harm' principle is inscribed in the General Principles of the NDICI Regulation (Art. 8.8). Moreover, the most harmful activities (e.g. those incompatible with the recipient country's NDC, promoting investments in fossil fuels or with significant impacts on the environment) are explicitly excluded from the scope of the Instrument (Art. 29).</p> <p>All actions need to be screened for climate change and biodiversity impacts (Art. 25.5) in accordance with the applicable EU legislation (including the EIA Directive), including, where applicable, an EIA, including the impact on climate change, ecosystems and biodiversity, for environmentally sensitive actions, in particular for major new infrastructure.</p> <p>This principle was already enshrined in the NDICI predecessor instruments and in the Common rules for the implementation of the Union's instruments for financing external action (REGULATION (EU) No 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014) that established, under their article 2.6, and obligation for environmental screening and, where applicable for Environmental Impact Assessment or Strategic Environmental</p> | <p>in the case of high-risk actions, these risks are examined in detail through an SEA, and EIA and/or a CRA. These instruments allow the identification of alternatives with lower impact and of impact mitigation measures. As indicated above, most actions financed under the NDICI show a low to moderate risk to climate change mitigation, especially given the positive agenda approach that promotes climate change mitigation actions, as well as the provision in the NDICI Regulation that excludes activities that are not compatible with the beneficiary country's NDC. There are still important risks at the level of the operations that do not necessarily reflect the broad references made at the Action design level (decision vs. contract): construction contracts with inadequate tender processes, call for proposals not adequately considering environmental degradation risks, Budget Support Operations based on broad risks assessment that would need an improved analysis of the do no harm effects of the implementation of the policies supported (there is often an important discrepancy between the policies and their implementation).</p> | <p>in impacts on water and marine resources (e.g. agriculture, energy, transport, water access). For instance, large scale irrigation programmes with the increase use of inputs could have significant impact on water quality, large scale development of water points can impact on aquifers sustainability. However, it is important to stress that a strong focus is on water efficiency measures and sound water resources management. Most investments in the water sector are also positively designed to promote a healthy environment: access to clean water, sanitation, wastewater treatment, water resources management, etc.</p> <p>.There are still important risks at the level of the operations that do not necessarily reflect the broad references made at the Action design level (decision vs contract): construction contracts with inadequate tender processes, call for proposals not adequately considering environmental degradation risks, Budget Support Operations based on broad risks assessment that would need an improved analysis of the do no</p> |

| Programme | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation  | Other environmental objectives   |
|-----------|--|--|--|
|           | <p>Assessment.</p> <p>The Environment &amp; Climate Risk Screening procedure is found in Annex 3 of the guidelines on “Integrating the environment and climate change into EU international cooperation and development” and these are consistent with the EIA Directive. The ‘mainstreaming guidelines’ will be revised in the first half of 2022; this revision will include notably more explicit attention given to DRR screening.</p> <p>The Environment &amp; Climate Risk screening procedure identifies the higher risk activities that require a detailed examination of their environmental and climate risks via a Strategic Environmental Assessment (SEA), and Environmental Impact Assessment (EIA) and/or a Climate Risk Assessment (CRA). SEA is applicable to sector budget support programmes in environmentally sensitive sectors, or when providing broad support to a sector at a strategic level. EIA and CRA are applicable for individual interventions with high environmental and/or climate risk; the climate risk component can be included as part of the EIA. In the case of EIA screening, the legislative provisions of the partner country are also applicable.</p> <p>In the case of investments under the EFSD+ (European Fund for Sustainable Development), the EU can support large investment projects that also have higher environmental and climate risks. The EU support is in the form of blended finance (where the EU provides a grant component) or guarantees. In the case of investments, the applicable environmental and social standards and safeguards are those of the lead financial institution. However, the Pillar Assessment performed, and which provides the basis of trust for the use of our</p> | <p>In the case of Investments under the EFSD+, the lead financial institution needs to explain how less carbon intensive activities have been considered.</p> <p>Furthermore, actions that rely of fossil fuels are refused.</p> <p>For other actions, projects, based on general guidelines or those from Calls for proposals, some Actions/ projects are sometimes not selected because they are less relevant and coherent than others and funds are limited, or because they are less or not sufficiently sustainable whatever their Climate change mitigation potential.</p> <p>During the design of Actions, or negotiation phases, the mitigation potential of the Actions could be reinforced via specific indicators on GHG emissions reduction aligned with the EU Result Framework, and Agenda 2030 notably environmental sustainability.</p> <p>If the action required the preparation of an EIA, or a CRA the resulting Environmental Management Plan (EMP) and/or Climate Risk Management Plan (CRMP) has to be reflected in its monitoring and evaluation system.</p> <p>During the monitoring/ supervision</p> | <p>harm effects of the implementation of the policies supported (there is often an important discrepancy between the policies and their implementation).</p> <p>In the case of Investments under the EFSD+, the lead financial institution applies its own environmental &amp; social standards and safeguards.</p> <p>The process goes beyond the project level and is usually based on countries strategies and plans that are reviewed and priority operations are identified commonly in a policy dialogue. In this pre-identification phase, first screenings are done and take into consideration environmental considerations. Once an operation is pre-identified, then there is a formulation process during which the operation is progressively studied and either would be abandoned (usually at an early stage) if not providing sufficient safeguards, or would be progressively adjusted in its formulation phase to ensure sustainability (adjustments are made in line with the mainstreaming environment</p> |

| Programme                                    | How is the DN(S)H ensured in the programme?   | Climate mitigation and adaptation   | Other environmental objectives  |
|--|---|---|---|
|  | partners' own systems, does not include an examination of the environmental and social standards.   | and evaluation of projects and programmes, potential harm could be reassessed and some activities not considered as eligible, and eventually stopped.<br>In the case of Investments, core indicators include a cross-sector indicator on "GHG emissions impact". As well, if an EIA was prepared, the monitoring system should reflect the EMP. The monitoring is performed according to the lead financial institution's own environment & social standards. | guidelines).<br>For instance, some dam programmes or irrigation programmes were not considered further for financing or re-oriented after consideration of the pre-feasibility studies (e.g., adjustment of the size of investments to ensure environmental flows or protection of upstream watersheds, adjustment of community development plans, optimization of the use of water with the use of new technologies, etc.).<br>The NDICI does not finance large operations from which significant risks would be expected, nevertheless, the long-term disposal of waste generated from NDICI interventions may cause significant and long-term environmental harm, especially if in sensitive ecosystems. |
| Nuclear Decommissioning Assistance Programme | No relevance.   |   |   |
| Pericles III                                 | No relevance.   |   |   |
| Recovery and Resilience Facility             | Commission Notice Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C 58/01). |   |   |
| Single Market Programme (SMP)                | No relevance.   |   |   |

| Programme                          | How is the DN(S)H ensured in the programme?  | Climate mitigation and adaptation | Other environmental objectives |
|------------------------------------|--|-----------------------------------|--------------------------------|
|                                    |  |                                   |                                |
| Union Space programme              | <p>Recital 26 of the Union Space Programme Regulation (EU) 2021/696) requires that 30% of the programme contributes to climate action. In particular, Copernicus, the EU’s Earth observation and monitoring programme (Recital 71) “should ensure an autonomous access to environmental knowledge and key technologies for Earth observation and geo-information services, thereby supporting the Union to achieve independent decision-making and actions in the fields of, inter alia, the environment, climate change [...]”. In addition, Galileo and EGNOS, the EU’s global navigation satellite systems contribute towards tackling climate change by supporting for instance environmentally friendly transport solutions, sustainable agriculture and meteorological monitoring.</p> <p>Action regarding the Taxonomy Regulation was taken in defining 5 templates for companies developing services (downstream Copernicus services) using Copernicus Earth Observation data and information (all objectives except circular economy have been addressed). This applies only to some companies under relevant NACE codes. It excludes all companies that manufacture space components for the time being, given the different nature of their activities.</p> |                                   |                                |
| TCC                                | <p>The programme focuses on key programming principles when assessing projects: political priority and ownership, relevance and maturity, track record of implementation, logical sequencing and sustainability. Estimated project amounts are based on expert assessments, market quotes and relevant previous projects to ensure structured and robust needs analysis.</p> <p>In this context and during the screening process, we secure that project with potential harm to climate mitigation; climate adaptation; sustainable use and protection of water and marine resources; circular economy, including waste prevention and recycling; protection and restoration of biodiversity and ecosystems and Pollution prevention and control are not financed by the Aid Programme.</p>  |                                   |                                |
| Technical Support Instrument (TSI) | <p>The Technical Support Instrument (TSI) provides technical support to EU Member States on a demand-driven basis. Its general objective is to promote the Union's economic, social and territorial cohesion by supporting Member States' efforts to implement reforms. As the responsibility to carry out reforms falls under Member States' competence, the TSI provides expertise, rather than direct funding to support national endeavour.</p> <p>On this basis, the activities under this instrument are not considered to “do harm”.</p>  |                                   |                                |

