

Approaches to greening the EU budget

Jorge Núñez Ferrer

CEPS

jorge.nunez@ext.ceps.eu

**International Symposium
Green Fiscal Reform as a Contributor to Budget Consolidation in the EU
Brussels, 15-16 December 2010**

Where do we stand, where do we go?

We have budget review:

- Reform of procedures
- Increase flexibility
- Expanding financial engineering
- Creating bonds
- Reforming own resources

These are crucial reforms but:

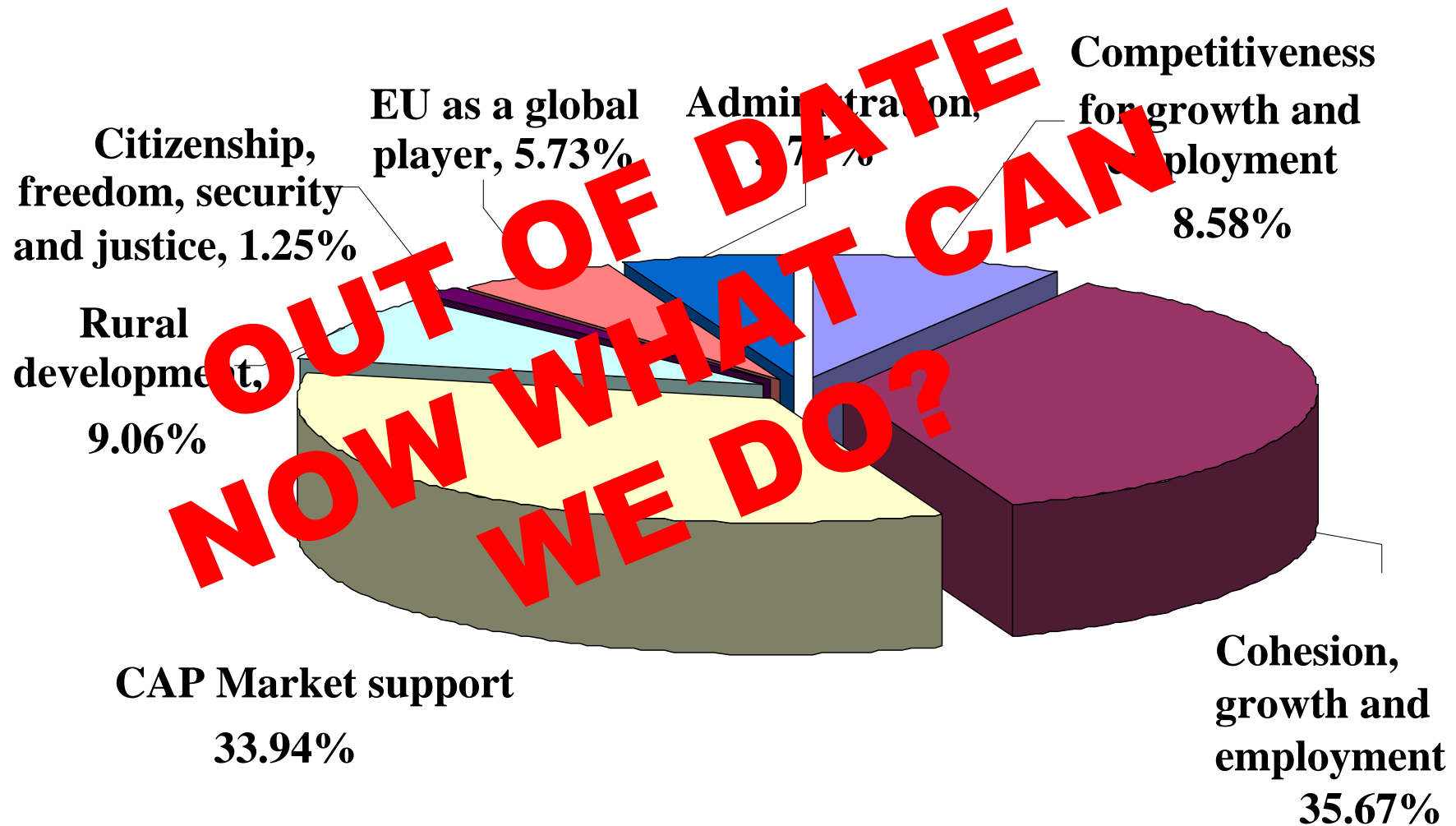
- Weak on policies
- **BUDGET IS NOT IN LINE WITH EUROPE 2020 PRIORITIES AND NOT EFFICIENT**
- Developments not encouraging at EU and at national level – strong lack of vision

Understanding the EU Budget main potential

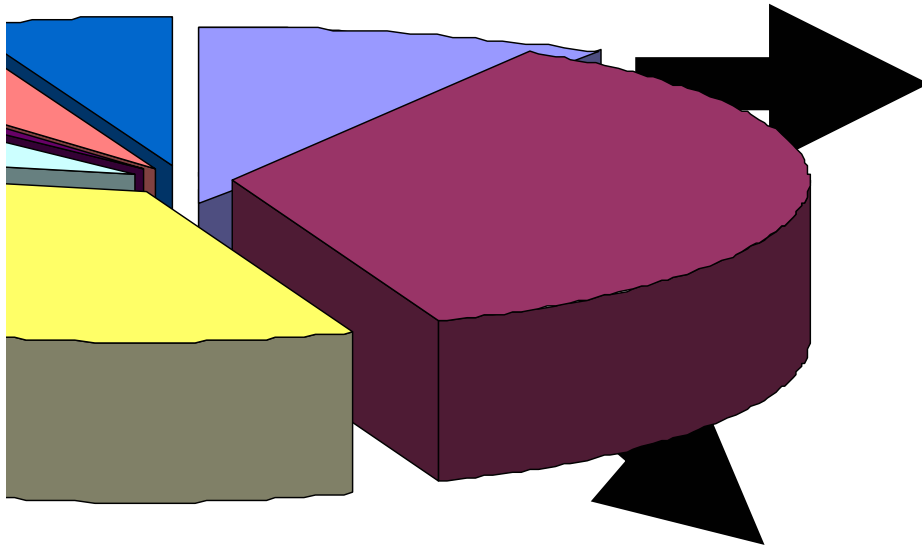
- **Solidarity:** Best existing financial solidarity instrument between European states.
- **Guidance:** Incentive for attracting investment into specific areas through its **leverage** instruments.
- **Loan guarantee, financial engineering:** A very powerful instrument to release loans to the private sector for more risky venture capital investments or large complex longer term projects (+ EIB, EIF).
- **Coordinated external action:** Theoretically considered more efficient
- Should follow the principles of **subsidiarity, additionality, proportionality and value added**

Present Budget

Financial Perspectives 2007-2013



Reinforce RDDD in renewable technologies and their deployment



- **Increase funding to support RDDD and SET Plan**
- **Increase RSFF of EU - EIB**
 - Leverage €1bn -> €5 bn
 - Today €2bn -> €10 bn -> Expand and make it a **revolving fund**
- **Coordinate where possible with Cohesion policy for deployment**



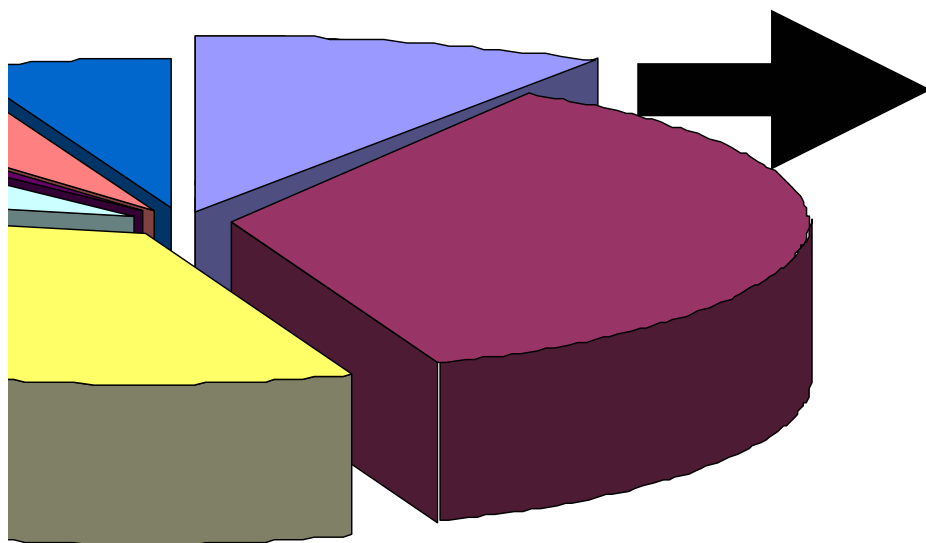
- **Reform financial rules**
- **Reform State Aid Rules for EU RDDD priorities -> Investments in the interests of the European Union**

CSP power plant
PPP + EU structural funds + RSFF (Spain)

Help integrating the energy market

Get cargo rail going

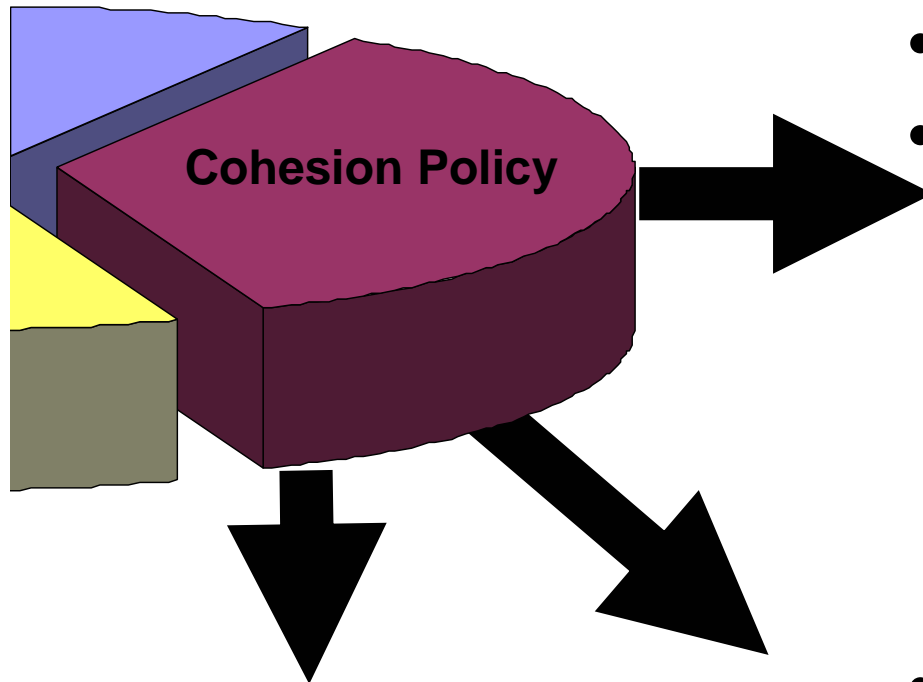
Increase the TEN component



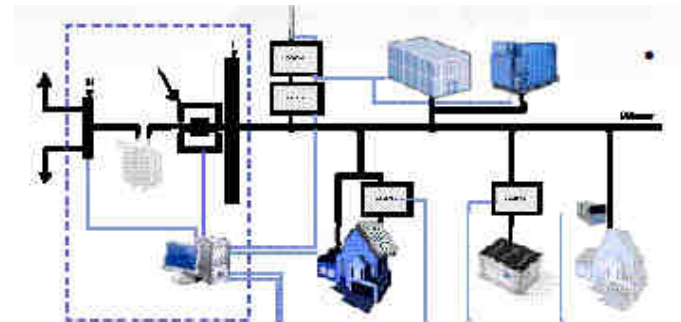
- Fund interconnectors and other critical infrastructures using TENs
- Combine with PPPs and EIB
 - **Expand guarantee systems**
 - Leverage €1bn -> €20 bn
 - **Create Bonds for critical pan – European priorities**
- Coordinate with Cohesion Funds in cross border areas



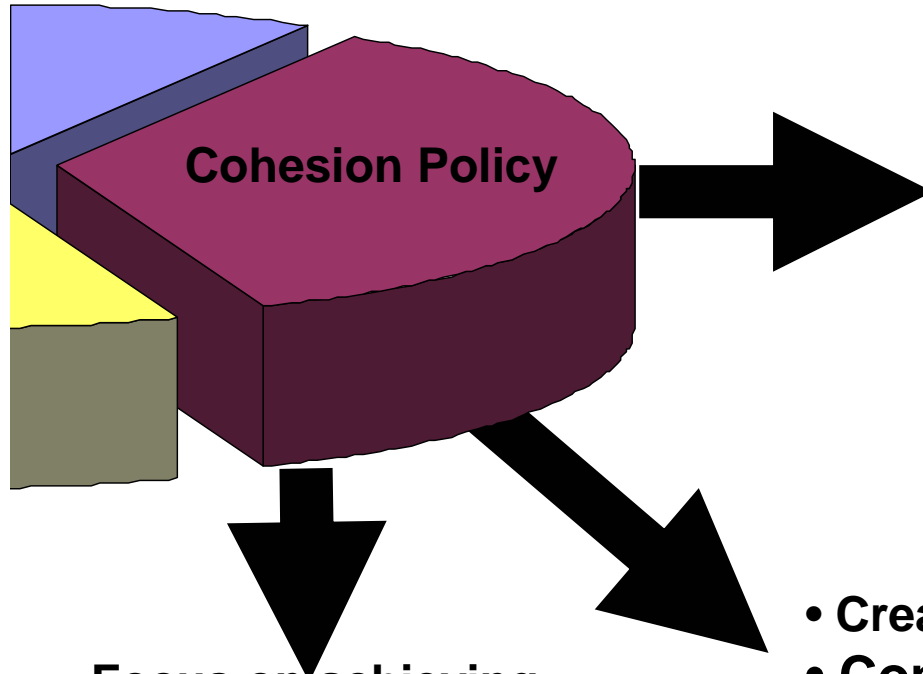
Greening the Cohesion Policy



- **Low(er) opportunity cost**
- **Impacts:**
 - Replace obsolete systems
 - Make coherent system
 - Attract FDI and companies
 - Centre of interest
 - Job creation
 - Sustainability increase
- **Benefits will repay costs**



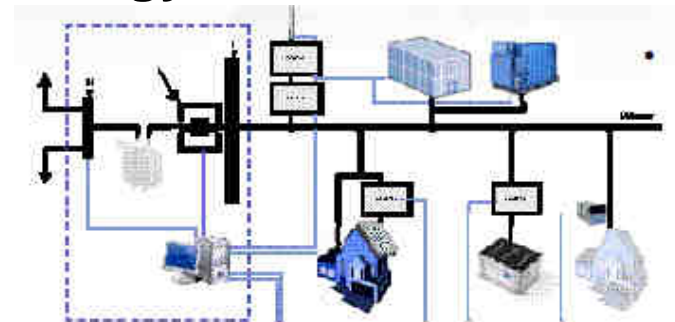
Greening the Cohesion Policy

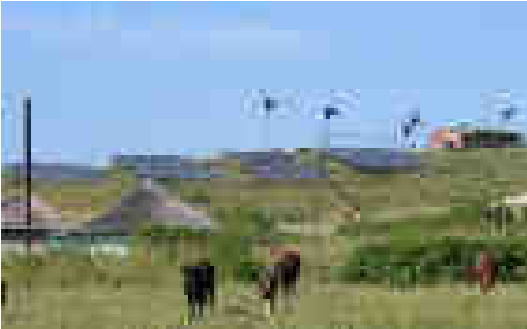


- Cohesion policy needs climate proofing
- Public procurement needs reforming
- Require carbon balancing
- Focus on energy efficiency
- Finance grid and interconnectors in cohesion countries
- Promote green technologies

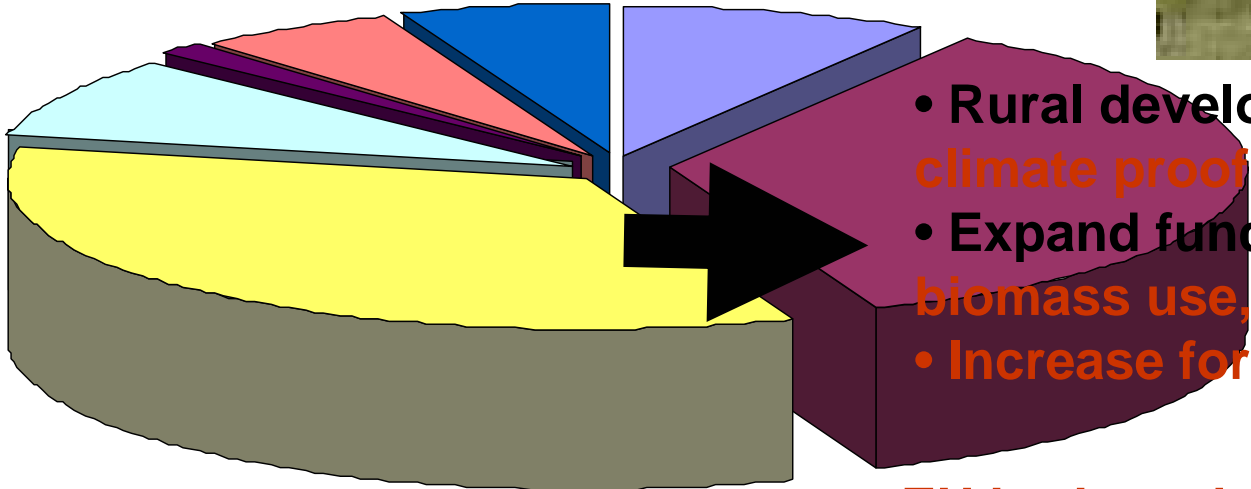
- Focus on achieving objectives
- Performance rather than procedure & irregularities
- STRATEGY, COHERENCE AND COMPLEMENTARITY
- MOST IN NATIONAL HANDS

- Create **LOW CARBON ZOENS (REGIONS)**
- Combine with PPP, EIB, SET Plan
- Use for new technology demonstration and deployment
- Smart grids



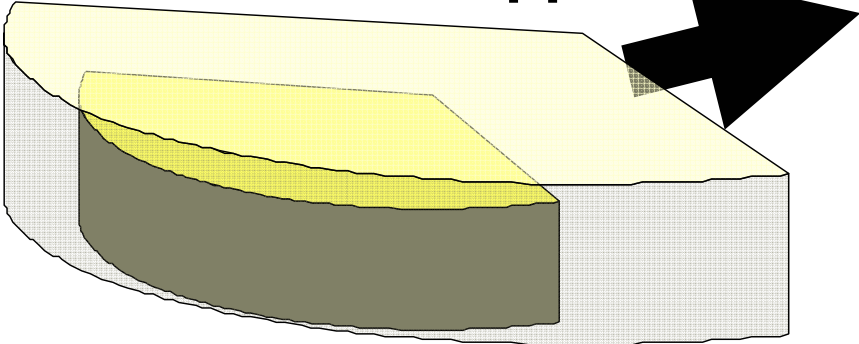


Rural Development



- Rural development needs **climate proofing**
- Expand funding for **energy, biomass use, adaptation**
- Increase **forestry funding**

CAP market support



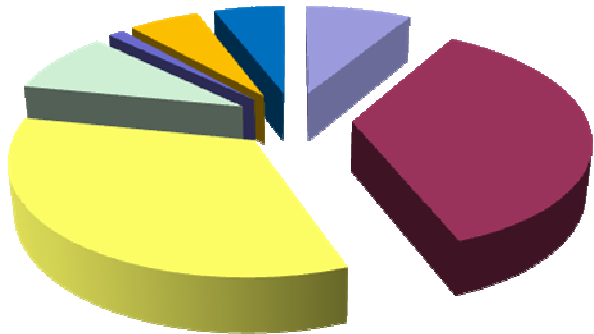
- **EU budget should not fund a whole policy** use wealth weighted co-financing
- Separate funding into **MEANS BASED** income support and **green components based on costs of compliance (regionally estimated)**

Develop an environment and ecosystem fund

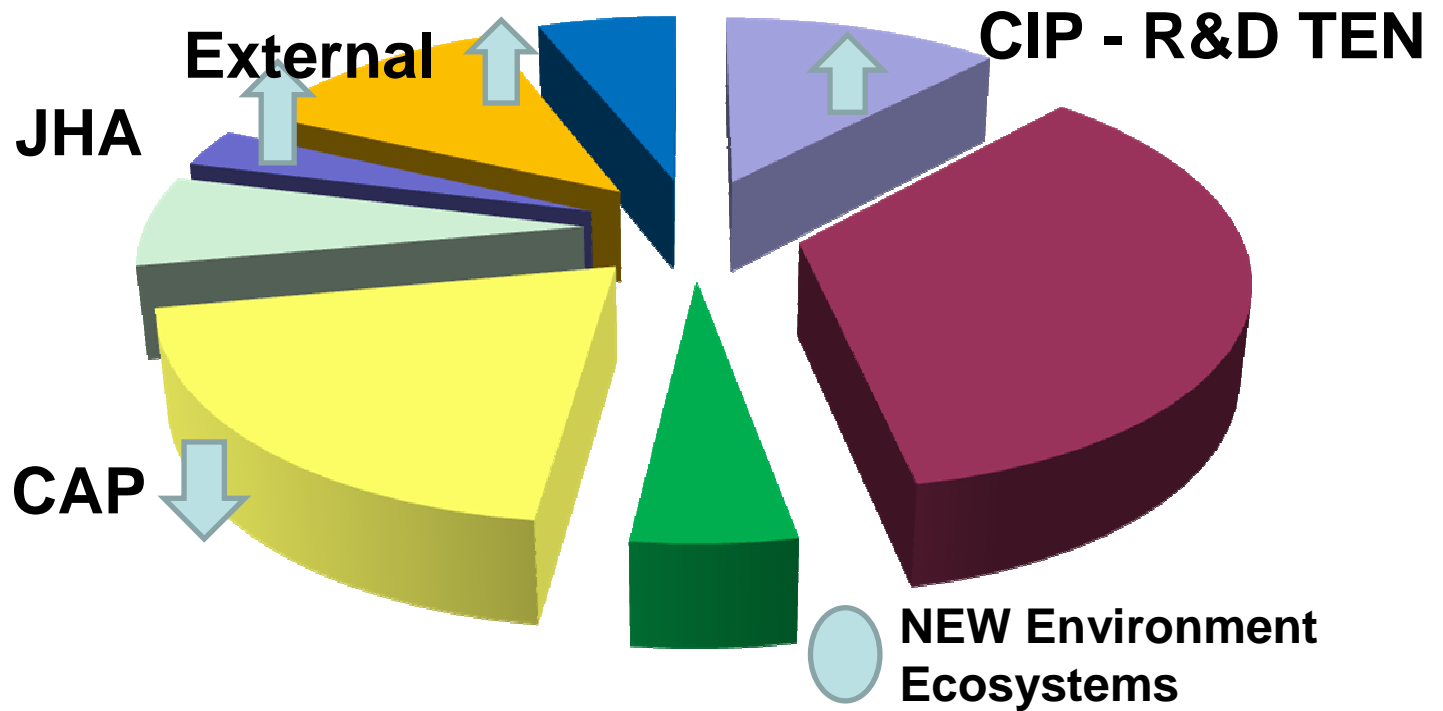


The budget lacks a solid Environmental policy, in Particular on **ecosystem management and restoration**, important for climate adaptation.

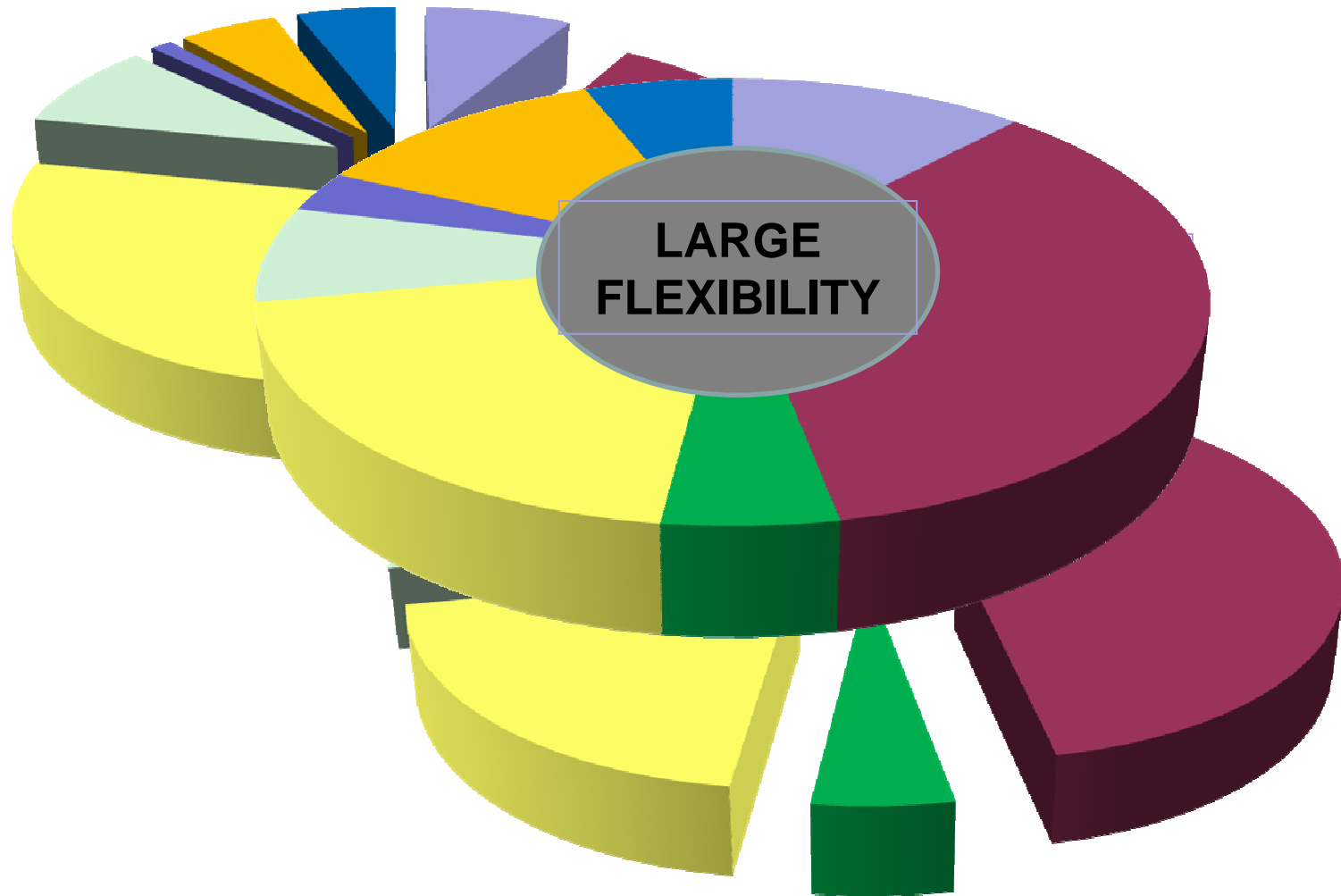
FP 2007-2013



FP 2013 onwards



FP 2007-2013



THANK YOU FOR YOUR ATTENTION