ClientEarth

May 2025

Public consultation on the EU's next long-term budget (MFF)

ClientEarth's response

Introduction

ClientEarth welcomes the opportunity to reply to the public consultation on the next EU's long-term budget (MFF). This general briefing first sets out our general recommendations (section 1), followed by our specific recommendations in relation to the conservation and restoration of nature, the support of energy communities, the transition in the EU agriculture sector and the protection of our oceans (section 2). It should be read in combination with the public consultation questionnaires to which we replied.

The 2024 *State of the Climate* report confirms what scientists have long warned: we are on the brink of an irreversible climate disaster. At the same time, the World Economic Forum identifies biodiversity loss and ecosystem collapse as among the most severe risks facing humanity over the next decade. The findings of the IPBES Nexus Assessment are particularly alarming and reveal that biodiversity has declined by 2-6% per decade over the past 30-50 years across all major indicators, a clear sign of accelerating ecosystems breakdown.

The economic case for urgent action is equally compelling. According to the IPBES Transformative Change Assessment over 50% of global GDP, valued around $58 trillion in 2023, is generated in sectors moderately to highly dependent on nature. The same report estimates up to $25 trillion in annual external costs from harmful sectors like fossil fuels, agriculture, and fisheries - costs not accounted for in decision-making but driving biodiversity loss, climate instability, and public health risks. According to the IPBES analysis, the financing gap to halt and reverse biodiversity loss is up to $1 trillion annually, while $1.7 trillion in public subsidies continue to incentivize environmental harm, distorting markets and intensifying pressure on natural resources.

Already in May 2020, the Commission itself stressed that over half of global GDP – approximately € 40 trillion euros depends on nature. It also warned that the world lost between €3.5 and €18.5 trillion annually in ecosystem services between 1997 and 2011, and a further €5.5 to €10.5 trillion per year due to land degradation. Biodiversity loss undermines food security and resilience in the EU and globally. It leads to lower agricultural yields and fish catches, heightened vulnerability to floods and other natural disasters, and the disappearance of potential medical resources. Critically, the decline of biodiversity both drives and is exacerbated by climate change.

In this context, we welcome the European Commission's ambition, as expressed in its recent communication on the next Multiannual Financial Framework (MFF), to position the EU as the first climate-neutral continent. However, we are concerned that the growing focus on competitiveness, security, and simplification come at the expense of the environmental foundations on which our economy depends. Europe cannot be competitive or resilient without a healthy planet. Climate action and biodiversity protection are not secondary issues — they are prerequisites for long-term resilience and stability.

Our key messages are therefore the following:

- **EU's competitiveness and resilience depend on nature and climate protection**: it cannot come at the expense of the natural system that sustains it.

- **The 'do no significant harm' (DNSH) principle must be applied consistently and effectively across all EU funds**: this requires legally enshrining the DNSH principle in the MFF Regulation and ensuring its uniform implementation across all sectors, including agriculture, energy, and fisheries.

- **Mandatory environmental spending and enforcement**: the next MFF must include strong, binding targets for climate and biodiversity spending, backed by robust monitoring and enforcement mechanisms. This is essential to ensure that public funds deliver measurable environmental outcomes and are used in line with EU environmental objectives.

- **Simplification and more public funding for actors who truly support the transition and preserve our sustainable future**: we support the simplification efforts as long as they aim to simplify the life of low-impact, and often local and small-scale actors such as energy communities, small scale fishers and small-scale farmers. They are the true drivers of the transition - not the large corporations that often undermine our future and are often the main beneficiaries of public funds (which they should not be).

1. General recommendations

Building on lessons from the current MFF, as well as the shortcomings of the Recovery and Resilience Facility (RRF)[1], the upcoming European Commission's proposal on the next MFF must embed **strong and enforceable environmental conditionalities** with separate climate and biodiversity spending targets across all spending areas – not only to uphold the **Do No Significant Harm (DNSH)** principle, but also to ensure broader alignment with the EU's environmental and climate objectives, including biodiversity protection, nature restoration, and full compliance with environmental law. To be effective, conditionalities and principles must be accompanied by robust monitoring and enforcement mechanisms, supported by increased staff/administrative capacity at the Commission and at national and local levels.

1.1. Mainstreaming biodiversity and climate in the next MFF

1.1.1 Align the MFF with the EU biodiversity and climate objectives

In line with Article 11 TFEU which requires the EU to integrate environmental protection into the definition and implementation of all Union policies and activities, the next MFF must be fully aligned with the Union's environmental ambitions. Achieving the EU's climate neutrality objective by 2050, as set out by the European Climate Law, as well as biodiversity protection and restoration targets[2] requires that the next MFF fully integrates these objectives across all spending programs. The next MFF would thus aligned with the Nature Restoration Law, which sets an overarching goal of restoring at least 20% of the EU's land and sea areas by 2030 and all ecosystems in need of restoration by 2050. This means ensuring that climate and biodiversity objectives are not only considered but actively pursued through the structure and implementation of EU funding.

The next MFF must therefore **make explicit reference to the EU's climate neutrality and biodiversity restoration objectives with all specific funding programmes designed to actively contribute to achieving these goals**. As highlighted by the Draghi report, this approach will also contribute to simplifying the EU budget by harmonizing environmental requirements across programs and thereby reducing administrative complexity for beneficiaries[3].

1.1.2 Include environmentally binding conditionalities

To ensure that EU funds do not contribute to environmental harm, climate inaction or biodiversity loss, we recommend the introduction of environmental conditionalities. Such conditionalities encompass amongst others climate change, biodiversity conservation and restoration, pollution reduction, and sustainable natural resource management. Ideally, ambitious ex-ante eligibility criteria that only allow access to EU funds for projects or beneficiaries meeting predefined standards/criteria shall be combined with binding targets that should be monitored ex-post on a rolling basis. Strong ex-ante compliance

[1] Bankwatch and Euronatur, Behind the green recovery, How he EU recovery fund is failing to protect nature and what can still be saved (June 2020).
[2] See the Nature Restoration Regulation and the 2030 EU Biodiversity Strategy.
[3] The report calls on *'harmonis(e)ing rules and horizontal requirements (e.g. environmental requirements) across funding programmes and EU financial instruments to decrease the administrative burden for beneficiaries'*.See the future of European competitiveness, part I, September 2024, page 295.

checks could also help preserve the capacity of Commission staff and managing authorities by limiting compliance risks at the implementation stage.

In our view, such conditionalities should at least include, cumulatively:

- Compliance with EU environmental laws (e.g., Birds and Habitats Directives, Water Framework Directive, Marine Strategy Framework Directive, Nature Restoration Law).
- A consistent and effective application of the DNSH principle across all EU funds whereby only projects or measures that pass the baseline DNSH assessment can be eligible;
- A binding and separate spending targets for climate and biodiversity in the next MFF;

a. A consistent and effective application of the DNSH Principle across all EU funds

In 2021, the EU introduced the 'do no significant harm' (DNSH) principle for EU funds, an environmental safeguard aimed at preventing investments from causing environmental harm[4]. More recently, Article 33 of the revised Financial Regulation requires all EU funds to be implemented in respect of the DNSH principle[5]. Accordingly, **the DNSH principle must be legally enshrined in the next MFF Regulation and applied consistently across all EU funds and sectors**, including agriculture, energy and fisheries.

Although the application of the DNSH principle represents a crucial step toward safeguarding EU funds from being directed toward unsustainable activities, its implementation so far has been inconsistent and not always effective in excluding harmful investments. Ensuring a more consistent application based on clear criteria would not only strengthen environmental safeguards but also reduce the administrative burden for authorities and beneficiaries. To that aim, we recommend the following:

- A **horizontal guidance aiming to harmonise the application of the DNSH** principle across all EU funds and acts as a baseline. Under this guidance, no activity, measure or project can by principle be considered as compliant with the DNSH principle. The guidance should include a **common exclusion list** of activities that breach EU environmental law or qualify as Environmentally Harmful Subsidies (EHS), such as fossil fuel subsidies[6] or non-energy related subsidies considered as harmful under the Commission's own methodology. These EHS should be phased out and redirected to positive and true sustainable solutions – such as low impact fishing and farming practices -that respect the planet's boundaries, ensuring the EU's long-term resilience and sustainability;
- Besides the horizontal guidance, **there should be sector-specific guidance** to assess 'borderline' or high-impact activities not included in the horizontal guidance[7];
- The DNSH principle should also apply **beyond the EU budget**, including in **State aid frameworks[8]**, to avoid harmful parallel spending or loopholes under national budgets;

[4] Article 17 of the EU Taxonomy Regulation 2020/852/EU
[5] Regulation 2024/2509 on the financial rules applicable to the general budget of the Union.
[6] A precedent already exists for exclusion lists in various spending programmes, such as the InvestEU programme, the Just Transition Fund, the European Regional Development Fund and the Cohesion Fund.
[7] For further details, we refer to the joint-statement by 29 organisation proposing a more consistent implementation of the Do No Significant Harm principle in the next EU budget.
[8] For more, we refer to our briefing on Environmental mainstreaming in EU State aid policy.

- The **precautionary principle** should be applied, excluding projects lacking sufficient evidence or posing long-term environmental and financial risks, such as fossil gas infrastructure that is financed under the guise of being "hydrogen-ready"[9];
- **Capacity-building support** should be provided to managing authorities and beneficiaries to ensure effective and uniform application.

b. Binding and separate climate and biodiversity spending targets

In the 2014-2021 period, the EU committed to dedicate at least 20% of overall expenditure to climate protection. This target was increased to 30% for the MFF 2021-2027 and the NGEU taken together. While there is no spending target for biodiversity for NGEU, 7.5% of MFF funds must be allocated to enhancing biodiversity in 2024, and 10% in 2026 and 2027.[10] Specifically, each Member State must allocate at least 37% of its Recovery and Resilience Plan (RRP) funding to climate and environmental measures, including biodiversity.

This integrated approach to "biodiversity spending" and the lack of requirements for which type of investment can be considered as such, has led to a large overestimation of biodiversity contributions under existing funds and programs,[11] often creating a distorted image of how investments under these funds and programs influence the achievement of the Union's environmental policy objectives.[12] This has often led to various types of activities being unduly classified as biodiversity spending, ranging from those with coincidental and/or circumstantial benefits to those with purely harmful impacts.

In addition, the lack of binding biodiversity and climate spending targets under the MFF and the RRF was particularly problematic, as it left investment largely at the discretion of national authorities. As a result, less than one percent of spending was directed toward biodiversity-related measures[13].

Therefore, for the upcoming MFF**, the adoption of dedicated, concrete and mandatory climate and biodiversity spending targets is imperative**. Beyond that, each spending target must be clearly associated with the achievement of relevant Union-wide (and, as appropriate, Member State-level) objectives enshrined in relevant legal instruments,[14] so that **only those investments that contribute to the achievement of the quantified, binding objectives and targets can be considered as climate spending and biodiversity spending, respectively.** In addition, a minimum spending threshold expressed in percentage terms should be established to ensure dedicated funding for the climate and biodiversity protection in national spending plan.

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9 We refer to ClientEarth's briefing "Hydrogen readiness: a Trojan horse for fossil fuel lock-in" (April 2025) which explores how the growing use of **"**hydrogen readiness**"** in EU policies and funding frameworks risks enabling new fossil gas infrastructure under the guise of a green transition. This approach creates lock-in, financial and external dependency risks**,** undermining the EU's climate and energy goals.

[10] See Part II of the Interinstitutional Agreement 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 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

[11] European Commission, Knowledge Centre for Biodiversity: EU action on biodiversity financing, European Commission, 2023

[12] With the Common Agricultural Policy constituting a prime confirmation of this statement, as corroborated by the European Court of Auditors

[13] See Vivid Economics Report "Fund Nature, Fund the Future: EU Recovery Plans miss the triple win opportunity to for nature, climate and the economy", 2021.

[14] For example, this should include but not be limited to, Article 4(1) of Regulation 2021/1119 and 1(2) of Regulation 2024/1991

1.1.3 Ensuring monitoring and accountability for environmental conditionalities

For effective monitoring and compliance, eligibility criteria should be complemented by a comprehensive set of *ex-post* controls that should be supported by a strengthened monitoring and enforcement mechanisms.

a. Measurable milestones and targets for accountability/monitoring purposes

The next MFF and specific funding regulations should include a comprehensive set of indicators (output, outcome, and result-based) to verify clearly defined milestone/progress achievement, condition payments, and report on the biodiversity and climate impact of EU funding. The achievement of these **milestones and targets shall be linked to the disbursement of funds**. This approach shall however draw on lessons from the RRF, by addressing its shortcomings such as lack of transparency and limited stakeholder involvement[15].

b. Strengthening monitoring and enforcement mechanisms

Conditionalities and targets are not meaningful without **robust monitoring and enforcement** frameworks. It is therefore imperative that the next MFF outlines not only the criteria for eligibility and compliance but also concrete procedures for tracking implementation, auditing beneficiaries, and enforcing penalties in case of non-compliance. The mechanism should include ex post evaluation of the DNSH principle implementation on a rolling basis and annual spending reporting reinforced by a strong audit mechanism drawing lessons from the current RRF control system[16].
Non-compliance with climate and biodiversity conditionalities and targets, including the DNSH principle and EU environmental law, should trigger sanctions which would apply in proportion to the severity and persistence of the non-compliance, such as **mandatory corrective actions, fund suspension, repayment/recovery clauses (e.g. in the form of clawback mechanisms) and/or infringement procedures.** Unspent or misused EU funds should also be reallocated to biodiversity and climate projects.

To be effective, these mechanisms also require **sufficient capacity and expertise** of the Commission to review, monitor, and enforce biodiversity-and climate-related commitments under a performance-based budget and to track breaches of EU environmental laws.

1.2 Transparency

As EU funds are public resources, the design and assessment of environmental and climate conditionality and targets under the MFF, including effective DNSH implementation, demand **a high level transparency and public participation**[17].

[15] See Bankwatch and Euronatur, Behind the 'Green Recovery', How the EU recovery fund is failing to protect nature and what can still be saved, June 2022.
[16] As highlighted by the ECA, see Special report 07/2023: Design of the Commission's control system for the RRF, 2023.
[17] See No Recovery without citizens, Why public involvement is key to Europe's green transformation, June 2023

In particular, we recommend the following:

- Transparency requirements should be harmonised across all funds, with **tailored requirements** in fund-specific regulations;
- The design of **milestones and biodiversity and climate targets must be transparent and participatory**, addressing the opaque processes observed under the RRF[18];
- Public consultations and **civil society participation** should be systematically integrated into all stages of national spending plan development and implementation;
- The **creation of a public online platform providing updated data** on Member States' EU funds spendings on climate and biodiversity targets and infringements to EU environmental laws;
- DNSH assessments and project-level environmental impact summaries must also be made **publicly available**.

It must be stressed that increased transparency and public participation allow granting authorities to collect the necessary information to assess funding opportunities, which in turn reduces ex post legal challenges.

1.3 Simplification and tailored funding for small-scale and low-impact actors/market players

We welcome the Commission's intention, as expressed in its latest communication on the next MFF, to streamline the structure of the EU budget and reduce the administrative burden on managing authorities and beneficiaries.

However, we believe that further efforts are needed to ensure that the transition is genuinely inclusive and accessible to small-scale and low-impact actors, particularly energy communities, small-scale fishers, and farmers. They often lack the technical capacity, time, and resources to navigate complex administrative procedures and are significantly underrepresented in policy and funding processes compared to large energy corporations and industrial-scale agricultural and fishing activities. As a result, they are less (if not at all) supported, despite the fact that their activities typically have a lower environmental and climate impact. To ensure their actual participation in the transition, eligibility criteria and financing instruments must be tailored to their realities. This includes:

- redirecting environmentally harmful subsidies to low impact actors/market players;
- increasing transparency around available funding opportunities for them;
- simplifying application and reporting procedures for them. Given their lower environmental impact, they should benefit from exemptions or simplified procedure such as lighter DNSH compliance requirements;
- creating contact point and dedicated support structures to assist them with application procedure, payment requests and potential audits;
- designing targeted, tailored and dedicated funding schemes in each specific funding regulation (or at the very least dedicated budget reserved within larger funding schemes) to be incorporated into national operational/spending plans.

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[18] *Ibidem* page 23

2. Specific recommendations

2.1. Financing the Conservation and Restoration of Nature

With a mere 15% of EU habitats currently in good condition[19] and a major biodiversity financing gap,[20] increasing the *quantity* and *effectiveness* of biodiversity finance has never been timelier. This is also in the context of the EU's commitment to progressively unlock 20 billion (annually) for nature-related spending and its global commitments under Target 18 of the *Kunming Montreal Global Biodiversity Framework.* The future MFF proposal, thus, poses a unique opportunity to reconceptualize biodiversity spending, building upon the current MFF's successes and remediating its shortcomings.

Furthermore, the adoption and entry into force of the Nature Restoration Regulation ("NRL") has made the need for funding availability, readiness and effectiveness imperative, given the quantified and time-bound obligations enshrined in it, both for Member States and for the European Union in its entirety.[21] Early-stage expenditure for the preparation of National Restoration Plans, preliminary scientific (baseline) studies and implementation of the first bundle of required measures will require the rapid disbursement of funds in the short term. Still, it has been established that investing in nature restoration provides substantial returns, with return rates reaching between 8 and 38 euros per 1 euro spent (depending on the ecosystem and measures in question).[22]

As a first step in the implementation of the NRL, Member States need to prepare and adopt National Restoration Plans, outlining the measures they are planning to put in place in order to achieve the binding targets. In line with NRL Article 15(3)(u) and Section 4.3.1. of the Implementing Regulation adopting the Uniform Format for National Restoration Plans,[23] Member States need to estimate their financing needs for the implementation of the restoration measures. Furthermore, they need to indicate which subsidies negatively affect the meeting of the NRL targets (NRL Article 15(3)(v) and Section 4.3.2. of the Uniform Format).[24] We expect that this exercise, which will be conducted at the national level, with a whole-of-government (inter-ministerial and devolved executive regions) and whole-of-society (in line with NRL Article 14(20)) approach will provide clarity on actual financing needs. Simultaneously, it will help identifying and quantifying subsidies that, unless eliminated, redirected or reformed, risk leading to Member States' non-compliance with the NRL, by rendering the achievement of its targets improbable.

Finally, the European Commission is expected to produce a report on available financial resources, funding needs and gaps for the implementation of the NRL, also proposing additional measures to address the identified gap (NRL Article 21(7)). The publication of the report (19 August 2025) is expected to coincide with the publication of the Commission's proposal on the MFF, which is why we expect a **full**

[19] European Environment Agency, *State of Nature in the EU: Results from reporting under the nature directives 2013-2018*, EEA Report No 10/2020
[20] Amounting to an addition of around 19 billion euros in biodiversity spending for the period up to 2030 , according to European Commission, *Biodiversity financing and tracking: Final Report*, Nesbit, M, Whiteoak, K, et al (Institute for European Environmental Policy and Trinomics) (2022).
[21] Regulation (EU) 2024/1991 of the European Parliament and of the Council of 24 June 2024 on nature restoration and amending Regulation (EU) 2022/869.
[22] European Environment Agency, *Briefing: The importance of restoring nature in Europe* (May 2023)
[23] European Commission, Annex to the Commission Implementing Regulation laying down rules for the application of Regulation (EU) 2024/1991 of the European Parliament and of the Council as regards a uniform format for national restoration plans
[24] *Ibid*

coordination between the two processes, ensuring that the proposed MFF properly acknowledges and fills the gaps identified by the Commission in its financial report.

2.1.1. A dedicated Nature Restoration Fund

To address the increased expenditure needs from the implementation of the Nature Restoration Regulation a separate fund (**EU Nature Restoration Fund**) should be set up.

Its sole objective should be the financing of concrete restoration measures, administrative needs (incl. new governance arrangements and staff capacity increase at all levels), monitoring and reporting costs associated with the NRL, in line with previously identified financial needs (in the form of indicative national envelopes, developed alongside National Restoration Plans (cf above)). Given the linkages between the restoration targets and the Natura 2000 network (in which restoration measures are to be prioritized for the period leading up to 2030, in line with NRL Art 4(1)), funding for the expansion and improved management of the Natura 2000 network for the purposes of compliance with the Birds & Habitats Directives or other EU conservation commitments may also be considered so long as such measures facilitate the delivery of the NRL's targets and in the absence of a more targeted funding stream for them (e.g., CAP or EMFAF).

With regards to its management, it should be overseen by a competent authority at the national level, ensuring that funds are spread to the appropriate (on-the-ground, local) level and actor undertaking the restoration measures (landowners and other land users, local authorities and civil society organisations).

Given that there are biodiversity spending needs that would go beyond the narrow scope of the proposed EU Nature Restoration Fund, nationally-prepared Prioritised Action Frameworks would further assist in the specification of the biodiversity financing needs of each Member State, enabling the identification of co-financing needs and, subsequently, the commensurate allocation of EU funds. To achieve these objectives, the significant **strengthening and expansion in size of the LIFE fund** would need to be included in the upcoming MFF proposal. Strengthening LIFE is a **low-risk improvement** of the next MFF, especially given the **quantified, consistent and demonstrable achievements** that the implementation of LIFE has had to date (as shown in the European Commission's LIFE Programme performance assessments).

Even if the proposed "simplification" approach for a unified spending plan is upheld, the identification of concrete financial needs nationally, for the pursuit of specific policy objectives (in this case, full implementation of the Birds & Habitats Directives on the one hand and delivery of the time-bound and quantified targets of the NRL on the other) can still be applied. Still, it is essential that **funding disbursement** is **not exclusively dependent on a presumed (and oven falsely estimated) assessment of costs** but complemented by **performance- and/or outcome-based activities** (in those cases, funding arrangements may make funding conditional upon the achievement of a certain, clearly defined conservation or restoration outcome). Regardless of the existence of a targeted EU Nature Restoration Fund, such an approach would be the only way to ensure that funding is allocated towards the achievement of Member States' obligations and not misappropriated (provided that a comprehensive funding monitoring and verification system is in place (cf Section 2 of General Recommendations).

2.1.2. Redirection of harmful subsidies

Still, even a mean increase in direct biodiversity financing is bound to be ineffective if **activities detrimental to long-term environmental health and resilience continue receiving public funding**. It is reminded that under the NRL Article 15(3)(v) Member States are under an obligation to identify and report on such subsidies. At the very least, no sectoral funding for activities violating the DNSH principle should be considered as “biodiversity spending” (also cf Section 1.2 of General Recommendations). In other words, it is essential that all activities with potentially negative impacts on biodiversity and/or activities which may undermine, delay or render more costly the achievement of Member States’ obligations under EU biodiversity legislation are identified and barred from receiving any EU funding. The thorough application of the DNSH principle across all EU funds should serve exactly that purpose. The latter is the precondition of a level-playing field for all financial actors active in the EU, as violations of environmental legislation and/harmful activities should not serve as an undue competitive advantage. Rather than being misallocated to activities that widen the biodiversity financing gap, such funds should rather be redirected, presenting an easy solution of readily available funds contributing to the achievement of the EU’s biodiversity policy objectives, while also generating longer-term economic gains.

2.1.3. Financing Biodiversity Mainstreaming

Given the **profound failure of the current (integrated) approach to biodiversity spending through mainstreaming of biodiversity in sectoral funds** to mitigate impacts on biodiversity and ecosystem health, a significant course-correction is essential and can be achieved through:

- **Obligatory minimum biodiversity spending targets in all funded activities through earmarking**, in full alignment with TFEU Article 11 (cfr. Section 1.2 of General Recommendations)
- **Prioritization of nature-based solutions over grey infrastructure solutions**, when ecosystem services offer benefits comparable to or more effective than those offered by the latter, particularly with regards to climate change adaptation, mitigation, disaster risk reduction and resilience, pest control, invasive alien species management, water and nutrient cycle regulation, food security, pollution mitigation, soil formation, etc.
- **Shift towards performance-based budget**, making provision of funds conditional upon the full implementation of relevant applicable EU legislation.

2.1.4. Use of novel financial means

The potential mobilization of additional private finance or the establishment of novel biodiversity financing mechanisms to fund conservation or restoration, which we are aware the European Commission is also exploring in parallel to the preparation of the next MFF, should not influence the quantification of biodiversity financing needs or the structure and functions of the next MFF. **Public policy objectives must be pursued primarily through public finance, ensuring that essential biodiversity projects receive stable, reliable and uninterrupted funding.** While private finance can provide valuable supplementary support, it should not replace public investment. **Regulatory compliance should never be relegated to market-based mechanisms due to their inherent volatility, lack of monitoring oversight, and non-existent enforcement mechanisms. Ensuring**

robust public funding, supported by a properly enforced regulatory framework, is crucial for achieving long-term biodiversity goals and maintaining environmental integrity.

2.2. Supporting Energy Communities

Through the 2019 Clean Energy for All Europeans Package (CEP), the EU signalled a clear intention to empower citizens in the transition away from fossil fuels by including the concept of 'renewable energy communities' and 'citizen energy communities' in the legislation. This transition is not only about energy sources, but is also an opportunity to redistribute power, wealth and ownership. European energy markets are currently dominated by a small number of large power companies and energy communities offer a way for citizens to counter this by organising their own energy projects which enhance decarbonisation while lowering energy bills and strengthen resilience and strategic autonomy at local level.

Accordingly, the new MFF should provide more support for energy communities. In particular, we call on the inclusion of the following:

2.2.1. Establishing a requirement for full compliance with EU law

To ensure that EU funding effectively supports the development of energy communities, the next MFF must introduce a horizontal requirement mandating the full and correct transposition of the relevant EU law - specifically, the Renewable Energy Directive (REDII)[25] and the Internal Electricity Market Directive (IEMD)[26]. The requirement should serve as a binding prerequisite for accessing EU funds.

Proper and comprehensive implementation of EU law is critical to creating a coherent and systemic framework that enables the growth of energy communities at the national level. However, many Member States have only partially or incorrectly transposed REDII and IEMD[27], creating legal and administrative obstacles that persist despite the availability of funding. Without a mandatory requirement for compliance, financial support risks falling short of the CEP's objectives.

2.2.2. Simplified procedures to access EU funding

Article 22(4) of the REDII obliges Member States to establish an enabling framework for renewable energy communities to ensure a level playing field at energy market which is highly regulated and dominated by large incumbents. It requires introducing simplified procedures as well as targeted financial and technical support. Despite the obligation imposed by the REDII, energy communities face systemic barriers in the majority of Member States and limited access to stable financing is one of key challenges that hinder their development.

To unlock full potential of energy communities, we recommend the next MFF to include:

- **Simplified application procedures** for energy communities by reducing administrative burden and formal requirements with the support of dedicated local contact points (one-stop-shops). The

[25] 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.
[26] Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU.
[27] See the status of transposition of both directives across MS in the Transposition tracker - REScoop.

procedures should ensure that energy communities have access to funding on an equal footing with incumbent energy market players.

- **Flexible and tailored financial support** taking into account the specificity of energy communities in terms of their legal forms, operational models, and technology used.
- **A comprehensive funding approach** enabling a combined use of funding instruments (e.g. Cohesion Policy funds and Recovery and Resilience Facility with Social Climate Fund) to ensure that energy community projects can be supported in all phases of their development (e.g. pre-investment support, investment support).
- **A progressive support mechanism** that prioritises projects based on their contributions to renewable energy targets and the reduction of energy poverty at the local level. Funding instruments should prioritise projects that actively support and include vulnerable groups.

2.2.3. Dedicated financial mechanisms under the next MFF

Energy communities are eligible to receive funding under various EU public funds in the current MFF, including the RRF, the REPowerEU, the Cohesion and Structural Funds and the Modernisation Funds. However, as shown by the Rescoop Financial Tracker[28], Member States have not yet provided sufficient and adequate funding support from EU funds for energy communities' growth at national/local level.

The tracker also shows that Member States do not often include them (or only in a limited way) in strategic documents that guide the allocation of EU funds. As a result, energy communities are marginalised and lack the financial support needed to fully develop their potential.

To address this gap, the next MFF should explicitly recognize and robustly support energy communities. These initiatives **can contribute to decarbonisation, enhance local resilience and energy security**, lower energy costs for households and SMEs, combat energy poverty and boost local development. Therefore, we strongly recommend the **creation of dedicated funding instruments for energy communities in the next MFF, or at the very least, dedicated marked funding within broader financing instruments**.

2.3. A just transition in the EU agriculture

ClientEarth welcomes the upcoming revision of the MFF as a crucial opportunity to reform the Common Agricultural Policy (CAP). The next MFF must redirect public funding away from harmful, large-scale industrial farming practices and towards a just and sustainable transition of the EU agri-food system. This includes phasing out untargeted area-based income support - which currently drives biodiversity loss and climate harm - and replacing it with targeted support that prioritises agroecology, high animal welfare, environmental stewardship, and fair livelihoods for farmers. The CAP must align with the EU's climate, biodiversity, and social equity commitments, ensuring that public money truly serves the public good.

The CAP currently encourages large-scale, unsustainable farming and forestry practices. In particular, area-based direct income incentivizes the expansion of industrial livestock production and the expansion of conventional crop farming, both of which are environmentally harmful. An estimated 58–60% of CAP

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[28] See the Rescoop Financial Tracker.

funding from the current EU budget - amounting to €31.4 billion to €32.1 billion annually - can be considered detrimental to biodiversity.

To address these issues farmers need fair prices from their work, which requires a more equitable market organisation. At the same time, the scale of investment needed for a just transition of the EU agri-food sector requires a fit-for-purpose agricultural policy in the next MFF, that is fully aligned with agroecological solutions and climate justice.

Public money should serve to enable the transition towards sustainable farming practices and to reward farmers who produce quality food while preserving nature and land, soil, water and seeds resources. This support should prioritise practices such as organic or agroecological farming but also, engaged in high animal welfare farming, biodiversity conservation, landscape maintenance, restoration, social cohesion and uphold labour standards. To achieve these objectives, it is essential to progressively phase out untargeted area-based income payments. Instead, t**he untargeted area-based payments must be progressively replaced with transition-oriented support.**

Sufficient public funding should be allocated to financing, de-risking and accompanying the transition, such as through: promoting crop diversification, establishment of agro-ecological infrastructure; agroforestry and [extensive] mixed farming systems, farms in areas with natural handicaps, supporting the transition away from factory farming; boosting circularity; incentivising biodiversity protection, environmental measures and the transition to higher animal welfare standards; providing adequate training, cooperative development, land access tools and pathways and independent advisory and incubation services to farmers; all while creating quality jobs.

To accompany reterritorialisation of EU agricultural and food systems, which includes crop diversification, public funding should be available for post-farmgate value chains, including cooperative infrastructure, local processing facilities and logistics networks adapted to diverse, agroecological farming models.

Generation renewal is of utmost importance. Young farmers and new entrants of all ages and backgrounds, especially women and underrepresented groups, should have easier access to public funds, with extra support provided to those who want to engage in organic or agroecological farming. Better-funded, targeted instruments for land access, farm succession, cooperative farm creation, and long-term tenure security should be available.

Agricultural policy funds should be distributed more fairly to benefit those who need it the most, smaller farms rather than big holdings, with degressivity and progressive redistributive payments of all agricultural subsidies. This would benefit small and medium-sized farms which are key to maintaining vibrant rural territories, biodiversity and food security, yet they have been disappearing at a dramatic pace. It would also be necessary to counteract and reverse the harmful effects of land concentration, land grabbing and speculative land acquisitions.

2.4. Transforming EU funds for ocean health, social justice and future resilience

2.4.1. Ending harmful subsidies and redirect towards sustainable fishing practices

The reform of the EU's budget architecture for fisheries and oceans is not merely a matter of policy preference, but it is a legal obligation grounded in binding international agreements and EU multilateral commitments. Any future revision of the MFF must be guided by these global frameworks, which set clear timelines for action for phasing out harmful fisheries subsidised by redirecting existing and future public money with a clear societal and environmental added value.

At the global level, the **2030 Agenda for Sustainable Development** calls on countries, through Sustainable Development Goal 14, to end overfishing, IUU fishing, and harmful subsidies. Specifically, Target 14.4 commits to restoring fish stocks to sustainable levels based on scientific management plans, while Target 14.6 calls for the prohibition and elimination of subsidies that contribute to overcapacity, overfishing, and IUU fishing.

These commitments have been reinforced through the **Kunming-Montreal Global Biodiversity Framework**, which requires the identification and phase-out of biodiversity-harmful subsidies by 2025 and a progressive reduction of such incentives by at least $500 billion per year by 2030. Additionally, the **World Trade Organization's Agreement on Fisheries Subsidies**, adopted in June 2022 after more than two decades of negotiations, further highlights these priorities. The agreement prohibits subsidies linked to IUU fishing, overfished stocks in the absence of stock rebuilding measures, and fishing beyond national or regional jurisdiction. These rules respond directly to SDG 14.6 and are designed to eliminate the most harmful practices in fisheries financing.

According to the World Trade Organization's Agreement on Fisheries Subsidies of 2022, harmful subsidies include those that: contribute to illegal, unreported, and unregulated (IUU) fishing, support fishing of overfished stocks in the absence of stock rebuilding measures, and promote fishing outside the jurisdiction of a regional fisheries management organizations (RFMOs) without effective oversight.[29] Similarly, the Organisation for Economic Co-operation and Development (OECD) has further stressed that subsidies related to fuel, vessel construction, and modernisation are among the most environmentally harmful, especially when not linked to sustainability conditions.[30] These types of subsidies create perverse incentives, distorting market conditions and undermining conservation efforts.

ClientEarth calls for the elimination of environmentally destructive subsidies and the redirection of EU taxpayers' money toward achieving the objectives of the CFP, the Nature Restoration Law and the long term commitment of the 8th Environment Action Programme to phase out environmentally harmful subsidies.[31] The Commission's own guidance document on reporting non-energy-related environmentally harmful subsidies is already a valid instrument that should be fully

[29] WTO, *Agreement on Fisheries Subsidies*, 2022 – Articles 3–5.
[30] OECD, *Review of Fisheries 2022 – Subsidies, Overcapacity and Overfishing*, 2022.
[31] Article 3, paragraph h, Decision (EU) 2022/591 of the European Parliament and of the Council of 6 April 2022 on a General Union Environment Action Programme to 2030.

recognized and applied by Member States in detecting and phase out harmful subsidies.[32] The upcoming revision of the MFF is therefore an opportunity to **ban subsidies that comply with this definition especially that increase fishing vessel capacity**, while reallocating support within the EU fisheries sector towards small-scale, low-impact fishers and activities that contribute to the restoration of marine ecosystems. The financial architecture represents a powerful instrument to redirect subsidies in the fisheries sector, ensuring its long-term competitiveness by supporting the necessary just transition toward small-scale, low-impact practices, while addressing the ongoing degradation of our seas and oceans.

2.4.2. Towards an EU Ocean Fund

The current EMFAF funding has shown its limitation in effectively supporting the objectives of the CFP: as stressed by this 2024 WWF report, today between 5% and 12% of EMFAF funding is channelled into biodiversity-harming subsidies, which is more than double the amount dedicated to restoring biodiversity.[33] Indeed, according to a 2020 report by the European Court of Auditors on marine environment protection, spending in protecting the marine ecosystem should be increased.[34]
A crucial step to achieve this necessity is for the European Commission to move away from the sectoral EMFAF structure and embed a **strong commitment to establishing a new EU Ocean Fund** in the next MFF proposal. The creation of an EU Ocean Fund is a key ask from the Blue Manifesto: The Roadmap to a Healthy Ocean in 2030,[35] that has been endorsed by more than 140 organisations.[36]

This fund will require significantly enhanced financial resources compared to the current limited EMFAF, with clear environmental targets linked to the implementation of the existing marine legislation. For instance, while the previous EMFF earmarked 10% of its budget for the Marine Strategy Framework Directive (MSFD), this is no longer the case under EMFAF, despite the relevance of achieving Good Environmental Status (GES) and protecting marine biodiversity.[37] Reintroducing a fixed spending share for MSFD would be a good practice in the new fund.

ClientEarth has already highlighted the need to change the EMFAF structure and increase funding for ocean conservation and restoration.[38]

2.4.3. Thriving small-scale, low impact fishing practices

In line with the call for simplification and competitiveness, the next MFF should **prioritize and enable better access and support for the transition of small-scale coastal fisheries.** The EMFAF does not currently prioritize funding for small-scale and low-impact fishers, nor does it provide preferential treatment for vessels under 12 meters in length. For example, in the previous EMFF, despite representing 75% of the total EU fleet and therefore being indispensable when talking about competitiveness of the EU fishing industry, the small-scale coastal fishing sector received only about 20% of funding.[39]

[32] European Commission guidance document on reporting non-energy-related environmentally harmful subsidies.
[33] WWF, May 2024 Briefing on 'Can your money do better? Member States spend billions of EU funds on activities that harm nature',: see page 31.
[34] European Court of Auditors, 2020, 'Special report on 'Marine environment: EU protection is wide but not deep'.
[35] Blue Manifesto.
[36] Supporters - Seas At Risk.
[37] European Commission, Marine Strategy Framework Directive Evaluation 2025, page 50-52.
[38] ClientEarth, September 2024, EMFAF – Mid-Term Evaluation, CFP evaluation: response to the call for evidence, page 4.
[39] ClientEarth, April 2023, Small-scale fishers revealed as least supported recipients of EU funds | ClientEarth, page 3.

The next MFF should therefore simplify access to financing and reduce administrative burdens for small-scale, low-impact fishers, including through the **allocation of a specific percentage of the fund exclusively for their benefit**.

An additional effective measure would be the **mandatory inclusion of dedicated sections for small-scale, low-impact fisheries within national operational programmes**, requiring national authorities to commit targeted funding to these fishers under the portion of the fund managed at national level. Small-scale, low-impact fishers should be granted privileged access to EU funds for fisheries and actively informed of the available funding opportunities. Access to funding must not be contingent on substantial upfront investments for this segment of the fisheries sector, which often represent a barrier for them as they often lack initial capital to invest or modernise fishing vessels.

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