

Background Note

Session II: A Policy-Based Budget of the EU Responsively Tackling the Consequences of Climate Change

Introduction

Climate change has triggered a surge in the frequency and intensity of extreme weather events, such as floods, wildfires, and droughts, leading to unprecedented socio-economic impacts across the European Union.

The EU has been addressing its vulnerability to climate change through adaptation strategies, first published in 2013 and updated in 2021. The strategies aim for climate resilience by 2050, with significant funding allocated for climate adaptation, totalling €8 billion for 2014–2020 and €26 billion for 2021–2027. Extreme climate-related events have cost the EU an average of €26 billion annually over the past decade.¹

Financial support for disaster response is provided through the European Union Solidarity Fund, but it should be made faster and more efficient. The EU Civil Protection Mechanism, launched in 2001 and upgraded in 2019 with rescEU, enhances disaster prevention, preparedness, and response. It supports EU countries and partner states, covering up to 75% of deployment costs. Cohesion Policy could also be better leveraged for disaster prevention, particularly in less-developed regions, to improve regional resilience. The Common Agricultural Policy was not designed to address repeated crises, leaving a gap in the tools and funding available from the EU to assist farmers in coping with natural disasters. To support farmers, the EU could provide more funds for crisis compensation and invest in modern irrigation infrastructure, as well as encourage sustainable farming practices.

With extreme weather events strengthening abovementioned instruments and policies is critical, especially in the next Multiannual Financial Framework (MFF).

Latest developments

On 21 October 2024 the European Commission adopted two proposals to amend regulations, ensuring rapid mobilization of EU funds in response to natural disaster-related damage. The amendments affect the regulations governing the European Regional

¹ Special report 15/2024: Climate adaptation in the EU – Action not keeping up with ambition, European Court of Auditors.

Development Fund (ERDF), the Cohesion Fund, and the European Social Fund Plus (ESF+) for the 2021–2027 programming period, as well as the regulation on the European Agricultural Fund for Rural Development (EAFRD) within the 2014–2022 framework.

The regulation on Regional Emergency Support to Reconstruction (RESTORE proposal) increases flexibility for pre-financing and co-financing, allowing Member States to use EU funds for repairing infrastructure, providing essential support, and temporarily financing short-time work schemes. It introduces two new measures under the ERDF and ESF+: a 30% pre-financing boost for immediate liquidity and full EU coverage (up to 100%) for reconstruction efforts, eliminating the need for national co-financing. Additionally, up to 10% of existing Cohesion Policy funds can be redirected to support these initiatives. For rural development, the amendments to the Regulation on the European Agricultural Fund for Rural Development give Member States greater flexibility to provide emergency aid and targeted cash to farmers, foresters and businesses affected by natural disasters. The aid can be 100% financed by unused EU funds from the EAFRD 2014–2020, in the form of lump sums of up to €42,000 per beneficiary.

On 18 December 2024 the EU Council of Ministers adopted by written procedure those two proposals with slight changes. In the *RESTORE* proposal the maximum cofinancing rate was reduced from 100% initially to 95%, while the additional pre-financing rate was reduced from 30% initially to 25%.

These legislative measures in a way address the problems indicated by the European Parliament in its resolution on climate adaptation adopted on 19 September 2024. Although, the resolution calls for a substantial increase in the EU budget allocated to disaster prevention, resilience building, and response mechanisms, it stresses the need for a coherent policy framework that integrates both climate change mitigation and adaptation strategies. This includes revising financial allocations within the MFF and ensuring that cohesion policy funds are more readily available for disaster prevention and post-crisis recovery.

The modifications of the EU's climate adaptation policy have to take into account the results of the report released by the European Court of Auditors on 16 October 2024. The main conclusion is that the EU's climate adaptation policies may not keep up with the accelerating pace of climate change. While the EU has a solid framework in place, the implementation needs improvement to protect economies and communities from climate impacts. The national adaptation policies, although aligned with the EU strategy, often relied on outdated scientific data and underestimated adaptation costs. The report

also identified conflicts between regional, sectoral, and national strategies, especially in agriculture and forestry. The auditors recommend better reporting on climate adaptation, more effective use of EU tools for local communities, and ensuring that future EU-funded projects account for current and future climate conditions.

Challenges

While the EU's policy framework is evolving, several challenges remain:

- **Timeliness of funding:** The EU's support, often delayed due to bureaucratic procedures, needs to be reformed to ensure faster mobilization of funds in times of urgent need.
- **Administrative burden:** While measures to reduce administrative delays are welcome, there remains a need for further streamlining in the distribution of aid to ensure that resources reach affected communities quickly and efficiently.
- **Regional disparities:** The EU's regional approach must account for the varied capacities of Member States to implement and manage disaster response initiatives, ensuring that less-developed regions are not left behind.

Discussion points:

- What are the views of national parliaments on EU initiatives to ensure rapid mobilization of EU funds to support Member States in the event of natural disasters exacerbated by climate change?
- How can the EU's policy-based budget be further optimized to tackle the above-mentioned challenges, especially in the next MFF?
- Given the increasing frequency of extreme weather events, should the EU allocate a larger portion of its budget, especially after 2027, to climate adaptation measures within Cohesion Policy, Common Agriculture Policy, EU Solidarity Fund, EU Civil Protection Mechanism?
- While immediate recovery funding is essential, what steps should the EU take to prioritize disaster prevention and preparedness in funding allocation?