

Future-orienting the next EU Multiannual Financial Framework (MFF)

1 Executive Summary

The European Union's Multiannual Financial Framework (MFF) for the period 2028 - 2034 offers a critical opportunity to align EU funding with its competitiveness and resilience goals. The current proposal suggests a weakening of the environmental and climate priorities outlined in the European Green Deal. This policy brief advocates for a future-oriented MFF that embeds resilience at its core, ensuring that climate change, environmental concerns and green innovation are prioritized across the MFF. The two environmental instruments (**Do No Significant Harm (DNSH) principle, Environment and Climate coefficients**) must be effectively designed to avoid greenwashing. In addition, **Climate Resilience by Design (CRbD)** should contribute to a future-oriented perspective on any money spending. In this context, the **European Competitiveness Fund (ECF)** including its research and innovation components, and the National and Regional Partnership Plans (NRPPs) including the **Common Agricultural Policy (CAP)** and **Cohesion Policy**, are a key for a future-oriented, strong and resilient Europe.

2 Introduction

The European Union has committed to climate and biodiversity goals, yet, the current trajectory of the proposed post-2027 MFF risks undermining these goals. Environmental, climate, and biodiversity challenges demand urgent and bold actions across all EU policies. The proposed MFF has no programmes solely dedicated to climate and environment. The ongoing political debates about the future MFF provide an opportunity to create policies that support the EU's long-term environmental and climate goals while fostering a future-oriented economy. It will be crucial to ensure that instruments in the MFF are future-oriented and avoid unsustainable path-dependencies. In the proposed MFF architecture the biggest funds are the National and Regional Partnership Plans (NRPPs) and the European Competitiveness Fund (ECF), which includes research and innovation. The NRPPs include the Common Agricultural Policy (CAP) and Cohesion Policy. Both are pivotal policies in driving the EU's future-oriented competitiveness by fostering jobs and economic activities which enhance the environment and resilience to climate change. Ensuring coherence between ECF and NRPPs is essential for a future-oriented MFF.

3 The “Do No Significant Harm (DNSH) Principle”: Strengthening and Clarifying

The DNSH principle is introduced as part of the proposed overarching budget expenditure tracking and performance framework (Performance Regulation). It plays a critical role in ensuring that EU funds support sustainable projects while excluding those that harm the environment. The EU Commission will provide guidelines for the application of the DNSH principle in the MFF post-2027. This is highly welcome as the application of the principle in the current MFF – where demanded for – lacks clarity and effectiveness.

- **Branch-specific standardization:** To improve the clarity and application of DNSH, more detailed, sector-specific guidelines should be developed. Where applicable, these should be built upon existing standards, audit schemes and regulations, e.g. the DNSH criteria of the EU

- ▶ Taxonomy for sustainable activities¹ or the DNSH guidelines for the Social Climate Fund (SCF)².
- ▶ **Minimize exceptions:** The DNSH principle must focus on long-term sustainability, not just short-term exceptions. Exceptions, such as described in Article 5(3) of the proposed Performance Regulation, should be reduced to the absolute minimum such as acute crisis situations not including post-crisis situations. For exceptions, a negative coefficient level of at least -40 % for the climate and environment coefficients should be included in order to discourage the use of too many exceptions to avoid the overall spending goal. Such negative markers have been used by France in its national reporting³.

4 Environment and climate coefficients: Revisions Needed

The EU Commission's MFF proposal uses minimum spending targets (i.e. „earmarking“) as second major instrument to fund climate and environmental activities. Article 8 of the Performance Regulation introduces a budget expenditure tracking and performance indicator framework which the whole MFF will be subject to. Article 4(2) defines – besides a social coefficient – three environment and climate coefficients: (1) climate mitigation, (2) climate adaptation and resilience, and (3) environment. Annex I gives for each intervention field a contribution level (0 % - 40 % - 100 %) for each coefficient. Annex III specifies the climate and environmental objectives for five programmes and instruments, including the National and Regional Partnership Plans (43 %) and the European Competitiveness Fund (43 %). The proposed system runs the risk of overestimating the environmental and climate impact of the funded activities and misses completely on biodiversity aspects⁴.

- ▶ **Environment and climate coefficients** (Annex I): Some of the proposed coefficient levels for certain intervention codes are set too high⁵. Thus, the EU coefficients and their suggested contribution level need to be re-adjusted. Examples are activities related to aviation and nuclear energy that should be set at 0 %. Income support to farmers which is not conditioned to environmental activities should also be set at 0 %.
- ▶ **Revised calculation method:** A series of publications⁶ have found that the climate and environment coefficients overestimate the environmental and climate contribution of activities (i.e. according to their “intervention field”). Thus, the contribution from the budget

¹ DG Financial Stability, Financial Services and Capital Markets Union, „EU taxonomy for sustainable activities“, 2025, https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.

² European Commission, „Technical guidance on applying the ‚do no significant harm‘ principle under the Social Climate Fund Regulations“, 2025, https://commission.europa.eu/document/download/25b7ed21-b0c4-4fae-a946-8b8c8a6cdb83_en?filename=C_2025_880_1_EN_ACT_part1_v3.pdf.

³ Inspection générale de l’Environnement et du Développement durable und Inspection générale des Finances, *Le financement de la stratégie nationale pour la biodiversité (SNB) pour 2030*, nos. 2022-M-025-03 (2022).

⁴ Vorschlag für eine Verordnung des Europäischen Parlaments und des Rates zur Festlegung eines Ausgabenverfolgungs- und Leistungsrahmens für den Haushalt sowie anderer horizontaler Vorschriften für die Programme und Tätigkeiten der Union COM (2025) 545 final, 485/1/25, 1059. Sitzung des Bundesrates am 21. November 2025, https://www.bundesrat.de/SharedDocs/drucksachen/2025/0401-0500/485-1-25.pdf?__blob=publicationFile&v=1; Umweltministerkonferenz (UMK), „Vorläufiges Ergebnisprotokoll - 105. Umweltministerkonferenz“, o. J., https://cdn.table.media/assets/briefings/agrifood/2025_11_14_105_umk-protokoll_2.pdf.

⁵ WFF, „A more impactful EU budget: Performance Regulation in the next MFF“, 2025, <https://www.wwf.eu/?19067441/A-more-impactful-EU-budget-Performance-Regulation-in-the-next-MFF>.

⁶ Eleanor Remo James und Anouk Dupraz, *Climate and biodiversity mainstreaming in the EU budget: State of play in 2024*, PE 781.674 (DG for Budgetary Affairs, o. J.), [https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/781674/BUDG_IDA\(2025\)781674_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/781674/BUDG_IDA(2025)781674_EN.pdf); European Court of Auditors, *Special report 08/2022: Climate spending in the 2014-2020 EU budget - Not as high as reported*, no. 09, Special Report (2022), https://www.eca.europa.eu/Lists/ECADocuments/SR22_09/SR_Climate-mainstreaming_EN.pdf.

to climate and environment objective as outlined in Annex III should be differently calculated. Instead of taking the highest coefficient as Article 4(2) describes, an average of the three environment and climate coefficients should be used. Using an averaging approach, intervention fields with synergistic effects would contribute more to the climate and environmental objective (e.g. 40 % for all three coefficients, would contribute 40 %). Intervention fields with 40 % only in one of the three coefficients would contribute less (ca. 13 %).

- ▶ **Biodiversity coefficient:** A separate biodiversity coefficient - as existing in the current MFF - should be re-introduced, reflecting the critical importance of preserving nature and biodiversity alongside mitigating climate change. This would ensure that biodiversity conservation is not relegated to secondary importance and reporting like for the Kunming Montreal Biodiversity Framework would be more transparent. A quota of 10 % - the level of the current biodiversity ambition – should be implemented.

5 Climate Resilience by Design: Anticipating climate risks from the beginning

Climate Resilience by Design (CRbD) enables early risk anticipation, and therefore precautionary and robust decision-making under a changing climate. Climate resilience should be seen as a fundamental design logic for policies, programs, and projects under the MFF to ensure long-term functionality of investments. The European Commission defines the principle of CRbD in their consultation on the new European climate resilience framework as “proactive effort to consider and prevent plausible high-impact risks and losses from the very beginning when conceiving policies, investments and other measures.” Therefore, CRbD as anticipatory assessment is more effective and efficient than measures taken to remedy the damage caused by climate impacts after they have already occurred.

Up to now the Performance Regulation (Recital 12) explicitly highlights “climate resilience by design” as guiding principles for EU programmes. Since most sectors are impacted by climate change, climate resilience should be anchored as a cross-cutting duty in the MFF. The operationalisation of CRbD in the MFF needs to go beyond the application of the DNSH principle for climate adaptation and should encompass the following elements:

- ▶ **Climate Reference Scenarios:** a scientifically robust climate scenario serving as a minimum reference point for adaptation planning, in order to ensure a common baseline level of resilience.
- ▶ **Comprehensive resilience:** the systematic consideration of resilience principles, including adaptability, flexibility, adaptive design, buffer capacities and long-term precaution, emphasizing iterative learning to ensure continuous improvement in response to evolving climate risks.
- ▶ **Evaluation and learning:** Expenditures on climate resilience need to be tracked and reported. This should be done separately from expenditure on climate change mitigation. As Climate Resilience will be integrated into investments and other measures, a categorisation by share of amount seems plausible. Policies and programmes under the MFF should be designed to allow for learning and fine-tuning as new information on climate change risks becomes available, e.g. from the next European Climate Change Risk Assessment.

6 Impact on the Common Agricultural Policy (CAP)

The CAP is one of the most effective instruments for shaping the framework conditions of European agriculture and promoting environmentally and climate-friendly practices. However, the environmental effectiveness of the CAP in particular is under serious threat. According to the MFF proposal, the CAP will lose its status as a separate EU budget and will be integrated into the NRPPs. Moreover, the current 2-pillar structure is going to be waived and the status of the direct payments is strengthened. Furthermore, Member States are granted greater flexibility which could trigger a race to the bottom in terms of environmental ambitions. To avoid negative impacts for the environment, we recommend to take the following actions:

- ▶ **Pay for performance:** The CAP should fuel a race to the top, not to the bottom when it comes to environmental ambition. On Member State level, this could be done by developing a „pay for performance“ mechanism that couples national CAP budgets to Member States' environmental ambition⁷.
- ▶ **Competitiveness of environmentally friendly farming:** Environmentally friendly farming is viable on the long run, provides society with indispensable ecosystem services and is a key element for future food security. So far, however, farms with a good environmental performance have with a competitive disadvantage compared to their less sustainable counterparts due to higher production costs on average. Thus, an attractive share of the future budget needs to be allocated to compensate environmentally and climate friendly farming for the production of common and public goods. Simultaneously, preparations to phase out inefficient instruments such as unconditional direct payments should be taken.
- ▶ **Align the CAP with EU environmental policies:** As an essential element shaping the environmental impact of the European agriculture, the CAP should contribute to pursuing goals of e.g. the Soil Monitoring Law and the Nature Restoration Regulation. So far, the Commission's CAP-proposal rather seems as an isolated policy approach instead of a concerted approach efficiently connecting the dots between agricultural, environmental and climate policies on EU-Level.

7 Impact on Cohesion Policy

Cohesion Policy plays a vital role in reducing disparities across EU regions, but also to connect Europeans and their lives with the EU. Budget spent should orient regions towards a sustainable and economically strong future, rather than formerly strong pathways which will be less successful in the future such as those fostering fossil fuel dependencies⁸. In the new MFF architecture, Cohesion Policy is part of the NRPP and its objectives are described in Article 2 and 3(1) of the NRPP Regulation.

- ▶ **Fixed environment and climate objective:** In the proposed Performance Regulation, there is one overarching spending target for the NRPPs concerning spending on environment and climate (43%). With high funding amounts and high coefficients connected with the CAP, this runs the risk that there is less to no funding available in Cohesion Policy for environmental

⁷ Katharine Heyl u. a., „Turning the EU's Agricultural Vision into Environmental Action: A Performance-Oriented CAP after 2027“, *Ambio* 55, Nr. 1 (2026): 204–10, <https://doi.org/10.1007/s13280-025-02281-y>.

⁸ Klara Winkler und Anne Biewald, *A future-oriented Cohesion Policy post 2027*, Scientific Opinion Paper (Umweltbundesamt, 2025), <https://www.umweltbundesamt.de/publikationen/a-future-oriented-cohesion-policy-post-2027>.

and climate aspects. Thus, an own fixed environment and climate objective for Cohesion Policy which reflects at least the 43 % of the NRPPs should be set.

- ▶ **Positive lists for green technologies:** To simplify programming, but also funding projects within Cohesion Policy, the Commission should publish positive lists of green technologies which can be funded through Cohesion Policy. Such lists can inspire responsible administrations when designing their funding programmes and also incentivize them as such lists promise less bureaucratic approval processes.
- ▶ **Sustainability as part of a strong ESF:** In order for the transition to resonate with people, ecological and social issues must be considered together. The European Social Fund (ESF) plays an important role in bringing these aspects together. It should therefore be strong and independent, to support people in the transition to a sustainable and economically strong future.
- ▶ **Place-based approach:** Regions are at the core of Cohesion Policy. The new overarching NRPPs risk focusing on the national level rather than the regional level and thus reducing the fit of the policy implementation, the connection to people and their acceptance for measures. In order to reduce bureaucratic burden, cohesion funding should be directly managed by regions. This will also avoid a re-nationalisation of EU funding.

8 Research and Innovation within the European Competitiveness Fund (ECF)

The ECF is a central pillar of the MFF, integrating industrial policy, decarbonization, innovation and strategic autonomy to strengthen Europe's competitiveness, resilience and security. Research and innovation (R&I), including the Framework Programme (FP 10), are key delivery mechanisms. To ensure durable competitiveness, security of supply and social stability, R&I investments must embed sustainability, environmental protection and resilience as structural enablers of economic performance. The ECF needs an R&I architecture that prioritizes systemic solutions and delivers results usable by public authorities, regions and markets. Building on evidence from CASRI⁹ and the EPA Network¹⁰, the following priorities stand out:

- ▶ **Systemic sustainability transformation:** R&I investments should support integrated approaches linking climate action, biodiversity protection, pollution prevention, circular economy and social impacts with competitiveness and security objectives. Priority areas include circular production systems, strategic materials, energy system transformation and climate-resilient infrastructure.
- ▶ **People- and data-centred foundations:** Inter- and transdisciplinary research, citizen participation, affordability, and interoperable and accessible data infrastructures are essential to translate innovation into regulation, market uptake and societal acceptance.
- ▶ **Nature-positive and circular transitions:** Nature-based solutions, biodiversity-climate co-benefits and circular economy approaches should be recognised as economic assets that

⁹ Umweltbundesamt, „Collaborative Action for Sustainability Research and Innovation“, o. J., last accessed 7. January 2026, <https://www.umweltbundesamt.de/en/casri>.

¹⁰ EPA Network, *Interest Group on Sustainability Research and Solutions (IG EPAS)* (o. J.), <https://epanet.eea.europa.eu/reports-letters/epa-network-interest-group-on-citizen-science/interest-group-on-sustainability-research-and-solutions-epas>.

reduce systemic risks, enhance resilience and protect health and productivity. R&I investments should support deliberate transition pathways, including the phase-out of harmful practices and technologies, to avoid long-term lock-ins.

- **Implementable and resilient governance:** R&I investments should strengthen digitally enabled, simple and implementable regulation, including Climate Resilience by Design.

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