



*EU Environmental Policy Briefing**

European Commission Conference on Reforming the Budget

14 November 2008

On 12 November the European Commission held a stakeholder conference in Brussels on the EU budget review. In the opening session of the conference, Commission President José Manuel Barroso stressed that the size of the budget had not kept up with the increasing size of the areas of EU competency, while European Parliament (EP) President Hans-Gert Pöttering pointed to the importance of the role of the EP in the debate.

EU Budget Commissioner Dalia Grybauskaite presented a summary of the consultation responses which have been published in a Commission Working Document posted on the conference website¹. At the top of the list of future challenges to the EU was climate change (two thirds of contributors considered it Europe's biggest test for the future); EU competitiveness in a global economy; and energy supply security (perhaps the newest and most surprising challenge to be identified). Consequently, the responses indicated that the EU's budget should move towards increased support for these three areas including: increasing direct spending on environment and climate change; more spending on research and development; aligning other policies with environmental needs; investing in energy efficient technologies; and developing renewable energy sources.

In terms of the current spending pattern, the most controversial area was the CAP and there was a strong signal to the agricultural policy community that stakeholders are not satisfied with the current high level of spending in this area. Suggested reforms of the CAP included: to maintain the CAP but align it with new common goals; for less CAP spending including the gradual reduction of direct aid; reinforcing Pillar 2 and the co-financing of Pillar 1. It was also suggested to shift at least aspects of rural development to cohesion policy – this idea may be related to the recent discussions on territorial cohesion led by DG REGIO.

In a parallel session on 'solidarity – sustainability' Tony Long, Director of the WWF European Policy Office, spoke of the imperative of the EU's spending to support its laudable environmental and climate commitments. Failure to do so will, he warned, undermine the credibility of the EU. Stefan Tangermann of the OECD presented a

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vision of a future CAP in which: spending pays for public goods; there is a shift from decoupled payments to targeting new challenges such as environmental issues; a decision is made on reducing Pillar 1 direct payments; and modulation is decreased because it increases the spending on agriculture overall.

In a session on 'EU financing to support EU policies', Stephen Hale from Green Alliance argued that financing the EU budget would not be put on a new basis unless EU spending is radically reformed so as to increase public and political confidence and to move the debate away from a focus on national interests. He also pointed to the forthcoming decision by the European Council on the revenue from the auctioning of permits in the next round of the ETS as a way to focus significant funds (30-60 billion Euros/yr) to fighting climate change, even though this money is not in the EU budget.

Considering the high importance of EU spending on the environment and climate change in the budget review debate, there was a conspicuous lack of high-level presence from DG Environment at this conference (or in fact DG Agriculture or any other DG apart from DG Budget). There were also fewer environmental stakeholders present than had contributed responses to the consultation. Conversely, the UK Treasury was well represented in the participants.

The Commission is expected to publish its proposal for budgetary reform next year. However, the timing is unclear. While originally scheduled for spring 2009, the timing is now argued to depend on the 'best political window of opportunity'. According to the Budget Commissioner, the EP elections next June as well as the nomination of the new Commission over the summer and a potential second Irish referendum on the Lisbon Treaty in October will all influence the timing. The proposal must, however, be presented by the end of 2009.

The Commission has stated its intention to present three options for reform ranging from less to more radical. It is not clear, however, whether the content will be at the level of principles and priorities or if the Commission will begin to bring in discussion of concrete figures. The level of interest generated amongst stakeholders by the consultation process and the Commission's obvious interest to move the EU budget away from political manoeuvring and the logic of 'juste retour' appear to indicate that at least some of the ideas and preferences revealed in this consultation exercise are fed into the next stage of the debate ie the Commission proposal. However, some of the more radical solutions to the CAP, for instance, are unlikely to be welcomed by many Member States. On the other hand, they could increase the pressure for reform of the CAP in the long term.

References

1. Conference Website:
http://ec.europa.eu/budget/reform/conference/index_en.htm

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