



Shaping the Future with Responsibility: A Fair and Effective EU Budget in the Service of Climate, Nature and the Environment

Joint Key Issue Paper

The next Multiannual Financial Framework (MFF) of the European Union plays a crucial role in addressing the ecological, social, and economic crises in Europe. For the EU's future viability, independence, and global leadership, it is essential to tackle these multiple crises in an integrated and consistent way — and to ensure this is backed by adequate financial resources. The EU budget must therefore be strategically aligned with the necessities of transforming the European economy and way of life, especially in view of the growing geopolitical and domestic challenges and the transition towards a climate-neutral economy. We can no longer afford to fund activities that stand in the way of achieving binding targets, such as those enshrined in the European Climate Law or the Nature Restoration Law.

Accordingly, the following principles are central to the new MFF for the period 2028–2034:

- ➔ **Sufficient and Earmarked Funding for Climate and Nature Protection:** In light of the far-reaching simplification and restructuring of the MFF, a significant increase in earmarked funds for decarbonisation, circular economy, a just transition, and nature conservation and restoration is essential — including the introduction of a needs-based, dedicated budget for EU nature protection and restoration. Only in this way can Europe meet its climate and nature protection goals — both at EU and international level — and overcome the ongoing multiple crises. Additionally, at least 50% of all expenditures must be earmarked for the six environmental objectives of the EU Taxonomy (climate mitigation, climate adaptation, sustainable water use, circular economy, biodiversity protection, and pollution reduction).
- ➔ **Targeted Monitoring:** The upcoming MFF reform toward a drastically simplified and performance-based budget will bring considerably more flexibility for Member States. Therefore, a significantly improved effectiveness assessment of the earmarking of funds, strong enforcement mechanisms, and clear action by the EU Commission are indispensable. In cases of suspected misuse of EU funds or failure to achieve goals and interim targets, the Commission must be able to withhold subsidies quickly and with minimal administrative burden.

- **Adequate Funding for Specific Challenges:** On the path to climate neutrality, rural areas and low-income population groups require significantly more support than previously. In particular, the introduction of the European Emissions Trading System for buildings and transport (ETS II) from 2027 on will bring major changes for EU citizens and businesses. Therefore, existing funding instruments must be specifically strengthened in the next MFF, and additional tools must be developed. This includes more funding for sustainability investments in rural regions and a significantly strengthened Social Climate Fund. Electrification in consumer-related sectors (buildings, rail and road transport – including a shift to already electrified rail systems) and social compensation for rising prices for particularly affected groups must be ensured.
- **Strong “Do No Significant Harm” Principle:** The EU must ensure that its funds do not support practices that undermine its environmental, climate, and social targets. The use of the “Do No Significant Harm” (DNSH) principle must therefore be significantly strengthened and harmonised across all funds in the next MFF. Ambitious exclusion criteria – including sector-specific exclusion lists of climate- and environmentally harmful subsidies – should be integrated as a core enforcement tool.
- **A more targeted and public goods-oriented agricultural funding:** To enable a just transition to a sustainable agricultural and food system, EU agricultural funding must be used in a more targeted and effective way to address ecological and social challenges. This requires a full shift from area-based payments towards income-generating remuneration of clearly defined environmental, nature, climate and animal welfare services delivered by farmers. A truly incentive-based agricultural policy requires continuously increasing budgets for eco-schemes and agri-environment-climate measures. The performance-based allocation of funds must be tied to the achievement of well-defined and measurable environmental targets and indicators. Significant minimum requirements for receiving public funding must be upheld and improved - particularly regarding the preservation of permanent grassland, protection and rewetting of peatlands and wetlands, compliance with a minimum crop rotation, provision of non-productive areas, and safeguarding of social standards. Services by fully converted organic farms must be taken into account and rewarded, because organic farming already complies with the highest standards of sustainable agriculture and provides systemic climate and environmental services.
- **A Competitiveness Fund Focused on Decarbonisation:** The competitiveness fund should clearly prioritise technologies that have been proven to enable rapid decarbonisation and strengthen Europe’s energy autonomy – such as electrification technologies and renewable hydrogen for key sectors (e.g. steel). Equating proven technologies for effective decarbonisation with untested or low-impact alternatives – such as nuclear fission or carbon capture and storage (CCS) – must be explicitly ruled out. In addition, payouts should be tied to strict requirements regarding climate, environmental, resource reduction, social, and resilience criteria.
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- **Continuation of the LIFE Programme:** The LIFE programme should be continued in the next MFF as a strengthened and independent programme, to maintain support for high-quality and innovative projects for environmental and nature protection, pollution prevention, and climate mitigation and adaptation in all EU Member States and candidate countries.
- **EU enlargement:** The future MFF, including all available instruments, must be prepared for an increasing number of Member States. Continuation of the Instrument for Pre-accession Assistance (IPA) is crucial for candidate countries. Reform agendas must be aligned with environmental and climate protection, and the DNSH principle must be consistently applied – especially in infrastructure projects.

The simplifications and flexibilisations announced by the EU Commission — particularly those increasing the leeway for Member States — must not lead to a decline in the importance of environmental, nature, and climate protection, or make these dependent on the ambitions of individual national governments. To strengthen Europe's future viability, competitiveness, and resilience, the MFF must be stringently aligned with the EU's political targets and priorities.

Contact and queries

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July 2025

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