

Bridging the climate financing gap with public policy instruments



The flagship technical support request

This flagship project aims at supporting Member States in optimising public spending, unlocking and redirecting public and private investment, as well as reviewing regulatory policies to channel financing towards climate mitigation and adaptation, in line with the goals of the European Green Deal. The EU increased the spending target for climate action to 30% in its multi-annual budgetary framework for 2021-2027 and earmarked 37% in the Recovery and Resilience Facility. The level of climate resilient public and private investments will therefore need to be scaled up over the next years. The Technical Support Instrument (TSI) can help Member States assess the effectiveness of current spending (including a “Do No Significant Harm” (DNSH) screening), identify investment gaps, analyse options and identify the right policy instruments to bridge those gaps.

Benefits at glance



Climate and Economic



- Assessing the adequacy and level of financing to support climate actions and identifying policy instruments to bridge the investment gap and achieve the goals of the European Green Deal.
- Covering both public spending and investments as well as private sector financing related to climate action.
- Building the capacity of Member States to implement new EU regulatory requirements (e.g. EU Taxonomy).
- Identifying investments in risk of doing significant harm to climate objectives early on.

Fact 1: The EU set the spending target for climate action at 30% of its combined multi-annual budgetary framework for 2021-2027, the NextGenerationEU. As part of that, it earmarked 37% climate funding in the Recovery and Resilience Facility, with adaptation as a key component.

Fact 2: In February 2021, the European Commission adopted its new EU strategy on adaptation to climate change, which highlights that private and public sectors need to work together more closely, in particular on financing adaptation.

Fact 3: In May 2021 a preliminary agreement was reached on the EU Climate Law, which sets a legally binding target of net zero greenhouse gas emissions by 2050 and a legally binding intermediate 2030 target of -55% below 1990.

IMPACT OBJECTIVES:

- ✓ Improving Member States' understanding of the impact of climate change mitigation policies and the adaptation risks on public finances.
- ✓ Enhancing Member States' capacity to map public and private financing needs and identify policy instruments to bridge the investment gap.
- ✓ Contributing to climate resilience and sustainability of public finances by making climate adaptation and mitigation risks visible and actionable for governments.



WHAT TYPES OF TECHNICAL SUPPORT?

This flagship presents a series of technical support measures, which can be tailored to specific needs to help optimise public and private investment into climate actions:

Analysis of investment needs and assessment of the contribution of economic activities' to climate adaptation and mitigation

Assessment of domestic legal, regulatory and operational barriers hindering the flow of public and private financing

Mapping of public financing needs and assessment of the adequacy, efficiency and composition of public spending to reach climate objectives

Identification of suitable financing instruments or projects for bridging the investment gap (e.g: design of green bond framework)

Design of tools to optimise and reprioritise public expenditure to enhance climate investments (e.g. screening of public investment projects)

Policy Recommendations & Action Plans

Capacity building actions, including training (e.g. EU Taxonomy and DNSH principle)

EXAMPLES OF PAST/ON-GOING TECHNICAL SUPPORT PROJECTS



- ➔ Evaluating investment and public expenditures linked to climate change and assessing the impact of climate-related policies on public finances in Spain.
- ➔ Assessing investment needs per key economic sectors to meet the climate and environmental objectives and reviewing domestic sustainable finance landscape in Estonia and Latvia.
- ➔ Revising the Public Spending Code to better measure the impact of emissions on public infrastructure investment in Ireland.
- ➔ Providing recommendations to promote the mobilization of private capital flows towards sustainable projects and investments in Italy.
- ➔ Supporting the Greek authorities in their efforts to mobilize investments in clean energy.