POSITION PAPER: MULTIANNUAL FINANCIAL FRAMEWORK (MFF) AND NEXT GENERATION EU

September 2020

EXECUTIVE SUMMARY

Institutional investors strongly support the need for a green and equitable transition and see an urgent need for policy action in line with the Paris Agreement objectives. Implementing the European Green Deal and its objective of making Europe climate-neutral by 2050 will provide certainty and clarity, allow for further collaboration between public and private finance and scaling up financial flows to the transition.

In July, a letter signed by more than 170 investors representing over €12 trillion in assets, called for an economic recovery in the EU that includes maintaining momentum on the Green Deal and sustainable finance agenda. The letter is also available on the website of The Investor Agenda – www.theinvestoragenda.org.

In the context of the negotiations about resilience and recovery measures, a statement by the EU Technical Expert Group on Sustainable Finance (TEG) was issued, setting out 5 high-level principles for Recovery & Resilience supported by detailed recommendations for applying the Taxonomy to the EU’s Recovery Package.

RECOMMENDATIONS

We welcome the general principle agreed at the Special European Council in July that the overall climate target of 30% should be applied to the multiannual financial framework (MFF) and Next Generation EU.

It is critical that this high-level commitment is translated into tangible action. Below, we set out some areas that need to be further defined to ensure the European recovery will be in line with the Paris Agreement objectives, ensure the European Green Deal and its objective of making Europe climate-neutral by 2050 are met, can be measured and lay the foundation to build back better. We recommend Governments to:

1. **Utilise the EU Sustainable finance taxonomy for all EU expenditure, to screen and track climate and environmental spending.** The EU Sustainable Finance Taxonomy reflects six key European environmental objectives, including climate change mitigation, adaptation and biodiversity. It has been recognised as a central component of the European Green Deal, responds directly to the EU’s environmental challenges and directs finance to the green transition.
2. **National recovery and resilience plans (RRPs) should be aligned with Europe’s goal to become net zero by 2050** and be consistent with the “do no harm” principle embedded in the European Green Deal and the Council outcome. RRPs need to establish plans for how sectors of the economy at risk of causing harm can transition away from harmful activities, including through the managed phase-out of extremely harmful activities.

3. **The assessment of whether RRPs are contributing effectively to the green transition should be guided by the EU Taxonomy.** The assessment of national recovery and resilience plans as foreseen in the Council outcome, suggests using an effective contribution to the green transition as a prerequisite for a positive evaluation.

4. **The newly established Recovery and Resilience Task Force should make use of established tools such as the EU Sustainable Taxonomy when supporting Member States prepare national recovery and resilience plans, ensuring that plans deliver on Europe’s net zero targets and accelerate the transition at home.**

5. The EU Climate Law is a fundamental building block to achieve carbon-neutrality by 2050; the co-legislators should set a new 2030 emission reduction target of at least 55%, consistent with the 2050 net zero goal, as soon as possible and reflect climate targets in sectoral legislation, guide recovery and resilience plans and bring clarity and greater certainty to investors.

**ABOUT THE PRI**

The PRI is the world’s leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole. The PRI was an observer to the High Level Expert Group on Sustainable Finance and Rapporteur to the taxonomy stream of the Technical Expert Group on Sustainable Finance.

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