



# WWF Briefing paper on the Performance Regulation

September 2025

## Introduction

The EU's new Performance Regulation — a framework for tracking budget spending and performance across the whole Multiannual Financial Framework (MFF) — is a positive step forward. It lays out key principles and priorities that should be applied consistently across the EU budget. It also introduces a single system for monitoring spending, with a list of about 500 eligible activities, each linked to output and result indicators, and tagged for whether they support climate, environmental, or social goals.

However, issues remain in both the ambition and the implementation of this new approach that could hold back the EU's goal of making the EU budget more focused, impactful, and policy-driven.

**In this briefing, WWF highlights three areas that need to be addressed by co-legislators:**

1. Raising the ambition on the climate and environment spending target and introducing a dedicated biodiversity spending target.
2. Improving the tracking methodology for climate and environment objectives.
3. Closing loopholes in the application of the Do No Significant Harm principle to ensure harmful subsidies are phased out of the EU budget.

## Climate and environment spending target

### WWF's recommendations for the legislative process ahead

- Raise the horizontal climate and environment spending target to **at least 50%** and **dedicate at least 10% to biodiversity**, to reflect growing investment needs beyond 2030.
- Ensure that the spending targets **apply to the entire EU budget**.
- Develop a **clear, dedicated tracking methodology** for all six environmental objectives (climate change mitigation, climate change adaptation, biodiversity, water use, circular economy, and pollution prevention). The current approach lacks detail to measure the impact on the different environmental objectives and risks



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breaching the EU's international obligations under the Convention on Biological Diversity.

- Strengthen **programme-specific targets** in Article 4(3), Annex III, and corresponding sectoral regulations to make sure every programme contributes a defined minimum share.
- Ensure any changes to the spending targets of individual programmes under Article 4(4) are made with the aim of **meeting the overall horizontal targets**.
- Require that **each annual budget allocates at least 50%** of EU spending to climate and environment goals, including 10% to biodiversity. If previous years fall short, later budgets should make up the difference.

## Assessment of the proposal

The Performance Regulation builds on the **EU's commitment to mainstream climate and environment goals across all EU programmes and funding instruments**. Until now, climate and biodiversity targets were defined in the Inter-Institutional Agreement and applied through programme-specific rules. The new regulation takes this further by creating a single EU budget-wide framework.

**Article 4(2)** states that: *"programmes and activities shall be implemented with a view to achieving an overall spending target of at least 35% of the total amount of the budget on climate action and environmental objectives ('climate and environment spending target') over the entire 2028-2034 multiannual financial framework, calculated by using the highest coefficient amongst climate mitigation, climate adaptation and resilience, and environment."*

**Article 4(3)** adds that individual EU programmes are expected to contribute towards reaching this target, in line with the specific contributions as set out in Annex III of the Regulation<sup>1</sup>.

### 35% spending target: a downgrade compared to the current budget?

On paper, the new overall spending target looks like a step back compared to today's 30% climate target and 10% biodiversity target. But the reality is more complex. Right now, most biodiversity-related spending is also counted as climate spending, meaning there is double-counting. WWF strongly welcomes that the new regulation would end this practice by allowing only the "**highest coefficient**" to be counted towards the spending target.

The scope of the target has also been broadened. Instead of tracking only climate mitigation, adaptation and biodiversity spending, the new system adds water use, circular economy, and pollution prevention as additional environmental objectives. This expansion is welcome, but without raising the 35% target, **limited resources will now be stretched across more**

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<sup>1</sup> Annex III defines the specific climate and environmental spending targets for the National and Regional Partnership Plan, the European Competitiveness Fund, the Horizon Framework Programme, the Connecting European Facility and the Global Europe Instrument



**priorities.** Whether this leads to meaningful investments will depend heavily on how spending is tracked and reported (s. next section for further details).

Assuming 35% of the budget will be spent on climate and environment objectives, about €617 billion (in 2025 prices) would, at the end of the MFF, be dedicated to green priorities. That is €150 billion more than under the current budget, but **€100 billion less than the MFF and Recovery and Resilience Facility (RRF) combined.** This supports [concerns that EU green spending could decline sharply once the RRF ends](#) in 2026. The European Commission [advertises this as €700 billion](#) (i.e. taking into account future price increases).

However, a key provision in **Art 4(2)** raises doubts about this statement, namely that: “*defence and security spending shall be excluded from the basis for the calculation of the climate and environment spending target.*”

This provision seems to imply that **defence and security spending would not be taken into account when** calculating the total amount of the budget spent on climate and environment objectives. Under the European Competitiveness Fund, up to €130 billion is dedicated to defence and security. Furthermore, Member States can spend significant amounts on defence under their National and Regional Partnership Plans (NRPPs), thereby further decreasing the nominal amount spent on climate and environment. This would **directly contradict the statement by the European Commission** that €700 billion will be spent on climate and environment.

To provide legal certainty and deliver on the ambition of spending at least €700 billion on green priorities, co-legislators should ensure that the spending targets are applied to the entire EU budget and should delete this provision.

## Lack of dedicated biodiversity investments

Beyond the missing ambition in volume, the lack of dedicated, objective-specific targets risks putting various green sectors in competition with each other. The discontinuation of a dedicated biodiversity spending target, in particular, will [sideline transformative and crucial nature priorities in favour of more straightforward industrial investments.](#) This risks repeating the mistakes made under the RRF, where biodiversity ended up with [only 2% of total spending.](#)<sup>2</sup>

The situation is **made worse by the proposed end of the LIFE programme**, the EU’s only dedicated instrument for nature, climate, and environment. At a time when investment needs to protect and restore nature and ensure the implementation of the Nature Restoration Regulation are higher than ever, removing both a dedicated target and a dedicated fund makes future support highly unlikely.

Discontinuing the tracking of biodiversity expenditure would also [put the EU at risk of failing to meet its reporting obligations under the global Kunming-Montreal Biodiversity Framework](#), since the proposed tracking system would no longer allow biodiversity spending

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<sup>2</sup> Under the RRF Member States were required to dedicate 37% of their national allocation to “the green transition, including biodiversity”. Without a dedicated biodiversity spending target, only 2% of RRF spending will contribute to biodiversity at the end of its implementation.

from the EU budget to be monitored separately.<sup>3</sup> As an official member of the Convention, the European Union is required to [report in regular intervals on the implementation of the Convention](#).

### Contribution of individual programmes remains uncertain

The lack of programme-specific targets has been among the key obstacles to mainstreaming climate and biodiversity in the current spending period. Annex III of the Performance Regulation lists expected contributions from most of the relevant EU programmes, though gaps remain and the contributions are not binding.<sup>4</sup> Apart from the Regulation on NRPPs, which explicitly requires Member States to contribute to meeting the climate and environment spending target, **most sectoral regulations do not include a binding requirement to implement the targets set out in Annex III**, aside from references in the recitals.

Article 4(4) does allow the Commission to adjust the programme-specific targets. However, the current wording does not guarantee that **changes are made in view of achieving the overall 35% target**.

### No safeguards to ensure the 35% target will be met over the whole MFF

Article 4(5) requires Parliament, Council, and Commission to consult each other on appropriate measures if the EU looks set to miss the 35% goal. Combined with the requirements for Member States' national spending plans under the NRPP regulation, this does not provide sufficient safeguards to ensure that the target will actually be met over the whole spending period. As a minimum, Article 4(5) should require that every **annual budget allocate an amount equivalent to the spending target to climate and environment objectives**.

## Climate and environment tracking methodology

### WWF's recommendations for the legislative process ahead (s. also Annex to this briefing)

- Develop a **dedicated tracking system for all six environmental objectives**, not just a merged “environment” tag which combines biodiversity, pollution, water and circular economy into a single objective.
- Restrict the use of **40% and 100% coefficients** to activities with a *guaranteed and inherent* positive contributions.
- Assign additional **result and impact indicators** to ensure the benefits of EU spending on the ground can be monitored.

<sup>3</sup> The European Commission inadvertently acknowledges this in Recital 16 of the Performance Regulation.

<sup>4</sup> The Union Civil Protection Mechanism is for instance contributing to climate and biodiversity objectives and no specific target is foreseen for this programme.



## Assessment of the proposal

As outlined above, the Commission is proposing a new, EU budget-wide system for tracking how spending supports climate and environment goals. Set out in Annex I of the Performance Regulation, this framework aims to replace the patchwork of programme-specific tracking rules **with a single, consistent method**. This is a positive step: in the past, different approaches have led to varying degrees of ambition and granularity and unnecessary administrative burden for the Commission and managing authorities.

The new system brings together existing reporting, monitoring and tracking methodologies into one list of 543 ‘intervention fields’, each linked to output and result indicators. Every intervention is tagged to indicate whether it contributes to climate change mitigation (CCM), climate change adaptation (CCA), or environmental objectives (ENV).

In principle, this harmonised system is welcome. However, in practice, serious issues remain unresolved and, in some cases, have worsened compared to the current MFF, posing a risk to the effectiveness of this new approach (for a further analysis of the tracking methodology, please refer to the Annex of this briefing).

### Key problems include:

- **No dedicated tracking for biodiversity, pollution, water, or circular economy.** All four objectives are lumped into a single “environment” category, making it impossible to track support for each of them individually. As outlined in the previous section, this risks putting the EU in breach of its reporting obligations under the Kunming-Montreal Global Biodiversity Framework.
- **Over-reliance on flawed EU coefficients (Rio markers).** These percentage “tags” (0%, 40% or 100%) determine how much of an EU investment is counted towards climate and environment objectives and often overestimate how much an activity really contributes, a problem repeatedly [flagged by the European Court of Auditors](#). A previous fix for biodiversity spending under the current Common Agricultural Policy - adding weighting factors to the coefficients - has been dropped in the Commission’s proposal.<sup>5</sup>
- **Problematic positive taggings for intervention fields.** Several activities in the Commission’s proposal count as contributing towards climate or environmental objectives (40% or 100% tagging) even when evidence suggests the opposite. Particularly problematic under the Commission’s approach is that investments with clearly harmful impacts are considered as contributing positively to one or all of the three objectives. For example, critical raw materials extraction is counted as contributing to climate mitigation, investments in airport capacity or new runways are considered to support climate adaptation, and area-based farm income support continues to contribute to all three

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<sup>5</sup> [Direct payments other than eco-schemes](#), for instance, receive a 10% weighting factor which reduces the actual contribution from 40% (the lowest, non-zero Rio marker) to 4%. In response to the lowering of GAECS obligations in 2023, this coefficient was further reduced to 2%. While [direct payments other than eco-schemes should be tagged at 0%](#), this reflects more accurately the actual contribution to biodiversity and lowers the risk of greenwashing.

objectives. An overview with additional problematic taggings can be found in the Annex to this briefing.

- **Lack of granularity in intervention fields.** Different activities are often merged under one label, even when their impacts vary widely. In principle, merging activities makes sense to ensure a simple and usable Annex I. However, aggregating activities with competing outputs and results or with an unclear contribution to climate and environment objectives risks weakening the internal coherence of this new framework. Space research, for example, is assumed to contribute 40% to all three objectives, even though only some projects — like climate monitoring — have clear environmental value. Similarly, hydrogen-related fields do not distinguish between renewable and low-carbon hydrogen, despite their very different environmental impacts.
- **Weak indicators.** Many intervention fields do not have meaningful indicators assigned to them, despite those being readily available. Out of 543 fields, 143 have no result indicators at all.<sup>6</sup> Nature protection and restoration is particularly underserved, despite clear, existing indicators. For instance, the intervention ‘Horizontal protection and restoration measures, including monitoring and reporting,’ does not have a result indicator assigned, although the ‘Decrease of habitats and species with an unknown conservation status’ lends itself as an obvious indicator. Furthermore, no result indicators with respect to the conservation status of protected habitats and species have been included for this policy area, despite those being clear objectives set out in the 2030 Biodiversity Strategy.

Together, these flaws weaken the framework’s coherence, risk inflating the EU budget’s green contribution, and make it harder for Member States to implement consistent reporting. Without meaningful indicators, managing authorities may revert to their own systems, making EU-wide aggregation difficult.

By maintaining the flawed system of EU coefficients, projects making only a partial contribution to climate and environment objectives are likely to have their impact overestimated. This risk would be further exacerbated by several highly problematic climate and environment taggings put forward by the Commission in Annex I.

Going forward, co-legislators will have to assess whether a more granular system than the EU coefficients should be introduced in Annex I. While there are good arguments for reintroducing the weighting factors used for tracking biodiversity spending, a too complex tracking system might not be in line with the ambition to create a simpler performance monitoring system. Instead, it will be key to take a science-based approach to assigning a 40% or 100% tagging to intervention fields in Annex I. Above all, only activities that have a guaranteed and inherent positive contribution should be tagged at 40% or 100% respectively.

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<sup>6</sup> Impact indicators have not been included in the Commission’s proposal, though some result indicators could be considered impact indicators, e.g. GHG emissions avoided. According to the Commission this choice was made, because benefits of EU-funded projects often accrue over longer periods than the MFF.

# Do no significant harm principle

## WWF's recommendations for the legislative process ahead

- Exemptions to the DNSH principles should always be based on the expected **environmental impact, not just the monetary value of a project**.
- Partial exemptions or derogations from applying the DNSH principle should be limited to **what is strictly necessary**.
- Even if the principle is not fully applied, the guidance should identify activities that are considered to be particularly harmful and **therefore should never be supported by the EU budget**.

## Assessment of the proposal

The Performance Regulation introduces a new, streamlined way of applying the “**Do no significant harm**” (DNSH) principle across the EU budget. Currently, the DNSH principle is anchored in the Inter-Institutional Agreement and implemented through programme-specific rules. Furthermore, the revised EU Financial Regulation requires EU spending, “where feasible and appropriate”, to be implemented in line with the DNSH principle.

The new regulation goes further by laying the foundation for a **single, simple, EU budget-wide guidance** on DNSH. Article 5(1) states that: “*a streamlined application of the ‘do no significant harm’ principle as referred to in Article 33(2), point (d), of Regulation (EU, Euratom) 2024/2509, shall be facilitated by a single and simple guidance (‘do no significant harm guidance’).*”

This shift towards an EU-budget-wide framework is an important step. In the past, inconsistent approaches have made it difficult to phase out harmful subsidies and created extra administrative burdens on beneficiaries and managing authorities. A harmonised system with clear criteria could make the DNSH principle both more effective and easier to apply.

With the guidance expected to be produced by the Commission by 1 January 2027, a first assessment can be made of the provisions included in the Performance Regulation that will guide the Commission in drawing up and implementing such guidance:

- **Exclusion list for harmful activities.** Article 5(2) explicitly mentions that the guidance should identify policy areas or activities that “do significant harm” and cannot receive EU funding. This creates the basis for a straightforward, low-bureaucracy **exclusion list**, ensuring public money is not spent on environmentally damaging projects.
- **Proportionality.** Article 5(2) also requires that the system be proportionate, taking into account project size, environmental impact, and geographical context. While small projects should not face unnecessary red tape, thresholds should always be based on the expected **environmental impact**, not just its monetary value. Even low-cost projects



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can cause serious environmental damage. Geographical derogation (e.g. for islands or outermost regions) should only apply if no less harmful alternatives exist.

- **Exemptions.** Art. 5(3) defines cases where the application of the DNSH principle “may not be feasible or appropriate, such as crisis situations, including emergencies arising from natural catastrophes, or other reasons of overriding public interest”. Furthermore, defence and security activities are explicitly excluded from the application of the principle. Such exemptions are justified insofar as they are limited to what is strictly necessary to ensure that EU programmes continue to achieve their intended objectives. As an additional safeguard, the guidance should identify activities that are considered to be particularly harmful and should therefore never be supported by the EU budget, even if the principle is not fully applied.
- **National implementation.** Article 13(1) requires Member States to include a DNSH assessment for each activity in their national spending plans, following the Commission’s guidance. Exemptions are possible, but only if justified in line with the guidance. While exemptions from the DNSH principle should be kept to a minimum to ensure the effectiveness of this approach, it is positive that Member States will have to provide a justification for not applying the DNSH principle.

#### For more information

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