

POLICY BRIEF

External Action in the next Multiannual Financial Framework (MFF)

To deliver on multifaceted crises of our times - crises in climate, biodiversity, cost of living and crises in multilateralism - CAN Europe calls for scaled up support for external action including scaled up support for international climate finance, in the context of a bigger EU budget; [a minimum a €2 trillion strong EU budget for the 2028-2034 period, of which 50% must be dedicated to climate and nature-related investment.](#)

Increased financing is needed to underpin investment partnerships in the European Commission President's political guidelines for 2024-2029, and as highlighted in the external financing instruments (EFI) mid-term review, expectations of partner countries on climate finance remain very high, due to transition costs and increasing climate impacts.¹ Increased finance will enable partner countries to build resilience to these climate impacts and build resilient renewable energy systems and green economies, supporting their greater stability and growth, and a more stable global economy. According to the '[Global Risk Report 2025](#)' by the World Economic Forum, the five biggest global risks of the next ten years are linked to the climate crisis. Climate change drives conflict and poses a risk to international security and addressing these risks will be key to promoting peace.

The new EU budget period will also be governed by the EU's new international climate commitments. The New Collective Quantified Goal (NCQG) decided at COP29 calls for USD 1.5 trillion per year in climate finance flows to developing country Parties, and sets a goal of at least USD 300 billion per year with developed countries taking a lead in delivery. Deriving a linear target from the current USD 100 billion goal implies developed countries' contributions doubling by 2030 and tripling by 2035. The EU budget will be key to delivering on collective EU contributions.

This briefing focuses on the climate mainstreaming methodology's application to external action, and international development cooperation in particular. For recommendations on biodiversity, gender equality, support to Least Developed Countries and Fragile and Conflict Affected States, and other topics, which CAN Europe also endorses, please refer to 'Refinement, Not Overhaul: External action in the next MFF' a joint position paper from 34 organizations (12 February 2025): <https://www.mffhub.org/resources/refinement-not-overhaul>

¹ The Independent High Level Expert Group on Climate Finance [highlight US\\$2.4 trillion per year by 2030](#) to address key areas like energy transition, adaptation, resilience, loss and damage, and conservation. Other sources indicate a higher figure in aggregate for mitigation, adaptation, and loss and damage. For example the [IEA Net Zero Roadmap \(2023\)](#), the [UNEP Adaptation Gap Report \(2024\)](#), and [Markandya and Gonzalez-Equino \(2019\)](#), Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review.

Climate mainstreaming

CAN Europe calls for the EU to collectively meet 0.7% of its GNI as ODA and provide new and additional climate finance. This requires a well-funded external action budget (as outlined above) as well as [continuity in external action architecture with targeted improvements](#). Regarding climate spending, this should lead to a strengthening of the climate mainstreaming methodology, to ensure stronger support to Paris Agreement commitments including the 1.5 degrees Celsius goal; and alignment with the EU commitments to policy coherence for sustainable development; and Agenda 2030.

The [current Neighbourhood, Development and International Cooperation Instrument \(NDICI\) has a non-binding target](#) of at least 30% contribution to climate objectives; in addition, in her State of the Union address in September 2021, European Commission President von der Leyen announced an additional EUR 4 billion for climate finance until 2027, [raising the target to 35%](#). The instrument should also contribute to the ambition of providing 7,5% of annual spending under the multiannual financial framework to biodiversity objectives in the year 2024 and 10 % of annual spending under the multiannual financial framework to biodiversity objectives in 2026 and 2027.

For the new EU budget a binding 35% spending target should be specified in the regulations governing external action. This should work in complement with a 15% biodiversity spending target, ensuring 50% across external funding as climate- and biodiversity related. The mid-term evaluation of the External Financing Instruments (EFIs) confirmed the continued relevance of the climate target, and underlined further efforts needed: the NDICI achieved 25 % in 2023. The European Commission's 2023 [climate mainstreaming report](#) projects 31% climate in the NDICI across 2021-2027, this indicates higher ambition is feasible in the next budget period, but that greater action is needed in the current NDICI to reach the Commission President's ambitions.

In order to ensure a higher degree of accuracy in the climate tracking methodology,² the European Commission should implement a more granular approach, whereby Rio Markers are assessed at the component (or subcomponent) level, and with more granular coefficients, which would improve the accuracy of reporting for many projects. [Development of a Rio Marker on addressing loss and damage is also required](#), to ensure clarity on project objectives and ensure no double-counting between loss and damage, adaptation finance, and humanitarian aid.

An ex ante approach to targets should be used to guide funds during programming. The target should govern commitments of finance, including the grant-equivalency of the blended finance operations and external action guarantee. It is important to monitor and assess climate finance mobilised through blended finance interventions, using conservative methodologies, however these figures should not be used in accounting the 35% target.

Out of the 35% climate spending, equal support should be given to mitigation, adaptation and addressing loss and damage. External action instruments should support strategic alignment of projects and programmes to ensure enhancement and implementation of partner countries' nationally determined contributions (NDCs) aligned with just transition plans and policies, and National Adaptation Plans, and frameworks of existing country-led or regional initiatives. Dedicated thematic support remains key, as well as geographic programmes' support to projects across key sectors. An improved approach to mainstreaming adaptation, for example supporting agroecology and using nature-based approaches where feasible to maximise co-benefits. Support should be provided to producing countries and smallholders in particular to comply with European Green Deal regulations with an external impact.

² See also https://www.eca.europa.eu/Lists/ECADocuments/SR22_09/SR_Climate-mainstreaming_EN.pdf

Do No Harm

Stronger 'do no harm' criteria, social and human rights safeguards and mandatory environmental and climate impact assessments are needed for all projects and programmes financed by the external action instruments including Team Europe Initiatives and Global Gateway programs. These should ensure all activities are compatible with biodiversity goals, the Paris Agreement's 1.5 degree Celsius goal and ensure any climate risks are assessed and addressed so that projects are 'adaptation-proof'. Strengthened environmental impact assessment tools (including strategic environmental assessments and climate risk assessments) for infrastructure projects should be applied across the EFSD+.

CAN Europe recommends a horizontal exclusion list applicable to all EU programmes and funds to operationalise the 'do no significant harm' principles of the European Commission's climate mainstreaming methodology, that includes activities and investments that can never be supported by the EU budget complimented by a second layer of sector-specific guidance on what qualifies as harmful investments. Regarding external action, this could constitute an adapted and simplified set of sectoral and technical guidance for different regions (with particular adaptations needed for least developed countries, Fragile and Conflict Affected States).

This would exclude support to production, processing, distribution, storage or combustion of fossil fuels, including support for low-carbon hydrogen and fuels, and exclude fossil fuel powered transportation among other climate and environmentally harmful activities. The only exception should be with regard to clean cooking. Meeting the urgent needs for overcoming energy poverty, clean cooking solutions and affordable and universal access to electricity does not require any expansion in fossil gas production. However, there are still some circumstances where it may be necessary for people in developing countries who face energy poverty and indoor pollution causing high death rates based on traditional but inefficient biomass-based cooking to transition to gas cooking.³

It is concerning that 2024 annual reporting on implementation shows that there are still [disbursements of funding to energy generation, non-renewable sources](#) by DG NEAR (it is not clear which external action instrument this can be attributed to). It is also concerning to see proposals for support to for example use of liquefied natural gas (LNG) in shipping and fossil gas powered transport in the [Multiannual Indicative Plans for the Neighbourhood Regions](#).

Loopholes must be closed through such an exclusion list, and it must apply in full to blended finance operations. [Currently in the case of investments under the EFSD+](#) (European Fund for Sustainable Development) the applicable environmental and social standards and safeguards are those of the lead financial institution. The EIB is a major beneficiary of the guarantee but it is also open to other development finance institutions, which may not have robust energy lending policies, and with its focus on crowding in private finance through blended finance it is therefore especially important that stronger exclusions are used around the EFSD+. Given the risk of human rights abuses it's also important to ensure transparency of beneficiary companies and systematically blacklist those with records on human rights violations, tax evasion and environmental abuse.

Various memoranda of understanding on energy have been signed between the EU and partner countries in recent years. Financing for renewable hydrogen infrastructure for domestic use or export to the EU needs to be monitored very carefully to exclude risks of new fossil gas exploration and infrastructure development, and to ensure that projects do no harm from an environmental perspective. If designed for export, the exporting country should have full energy access and support for just energy transition domestically and energy additionality should be guaranteed.⁴

³ Even high shares of Liquefied Petroleum Gas (LPG) use in this context would increase global CO2 emissions negligibly, by far less than 1 percent: <https://climatenetwork.org/resource/can-international-position-fossil-gas/>

⁴ For further recommendations on renewable hydrogen strategies in an African context see: https://www.germanwatch.org/sites/default/files/positionpaper_greenhydrogenproductionandpower-to-x_productsinafrica_250122.pdf

Modalities of finance

The evidence base on blended finance for adaptation is not strong, and adaptation represents a small share of blended finance supported projects globally to date.⁵ Adaptation blended finance deals are often smaller than mitigation transactions (in part because many adaptation solutions must be localised) limiting the scalability of projects. Therefore grants for dedicated adaptation projects remain essential, while possible approaches through blended finance are explored on a small scale. Special attention should be given to the high needs for adaptation finance in vulnerable contexts including LDCs and SIDS. Grants are the only suitable modality for addressing loss and damage, and grant contributions to the new Fund for Addressing Loss and Damage would enable the EU to effectively address gaps in this area. Grants also remain the most effective form of support to Indigenous Peoples, civil society organisations and local communities, with accessible funding mechanisms, enacting crucial work across climate mitigation and adaptation which combines climate, biodiversity and development objectives, and shares of financing to these groups should increase.

Regarding blended finance for mitigation, governments are often significantly overestimating leverage ratios and there is a need for improved transparency around methodologies and assessments.⁶ [Analysis of trends in blended finance](#) also reveal that international corporations and project developers are overwhelming beneficiaries of blended finance operations, and that it is not really delivering or the most suitable modality to address risks in LDCs and fragile and conflict affected states. Support to the European Fund for Sustainable Development Plus (EFSD+) and the Global Gateway strategy via the external action instruments must therefore be limited, and additional policies and strategies are needed to ensure that it is supporting smaller actors and identifying high risk projects and hard to decarbonise sectors. The European Court of Auditors [opinion accompanying the Commission's assessment of the External Action Guarantee](#) explains that there is not evidence of whether the EAG helped to mobilise additional investments, or whether projects could have been achieved without it. This underlines the risk that precious development and climate finance will be used to subsidise companies or projects which would have been able to leverage the finance anyway. In the new EU budget period, the actual leveraging of finance must be better assessed and the right support applied ex ante, targeting high risk hard to decarbonise projects.

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⁵ Only 14.1% of climate deals since 2018, totalling \$5.7 billion, have been solely focused on adaptation; pg 50 <https://www.convergence.finance/resource/state-of-blended-finance-2024-climate-edition/view>

⁶ <https://oilchange.org/blogs/cop29-explainer-why-we-cant-rely-on-the-private-sector-to-finance-the-energy-transition/>



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