

8TH EAP

Enabling conditions



7 Enabling conditions

Conditions enabling achievement of the 8th Environment Action Programme priorities

The [8th Environment Action Programme \(EAP\)](#) ⁽¹⁾ set out six 2030 environment- and climate change-related priority objectives and a 2050 objective of living well within planetary boundaries. To meet these objectives, many enabling conditions need to be fulfilled.

The European Commission's [8th EAP monitoring framework](#) ⁽²⁾ includes five indicators and corresponding 2030 targets to capture aspects of progress related to conditions that enable the fulfilment of the 8th EAP objectives:

- An indicator on environmental taxes to monitor whether there will be an increase in the EU share of environmental taxes in total tax revenues in the EU.
- An indicator on EU fossil fuel subsidies to monitor whether fossil fuel subsidies will decrease, with a view to phasing them out without delay.
- An indicator on environmental protection expenditure to monitor whether EU spending on preventing, reducing and eliminating pollution as well as other environmental degradation will increase.
- An indicator on green bonds to monitor if the share of green bonds in the total issued bonds will increase in the EU.
- An indicator on the eco-innovation index to monitor if eco-innovation will increase in the EU.

The indicator assessment results are summarised further below. In short, it is unlikely but uncertain that fossil fuel subsidies will decrease in the coming years. Developments in all other indicators are, however, moving towards meeting the 2030 targets. The high environmental and climate ambition of the [European Green Deal](#) ⁽³⁾ and its initiatives is a key driver of these positive developments. Nevertheless, these do not seem to be enough at present to produce the desired results in environmental protection and climate change.

The European Commission estimated additional investment needs of approximately EUR 620 billion per year from 2021 to 2030 ⁽⁴⁾ to deliver on the environmental and climate change objectives of the European Green Deal and of [REPowerEU](#) ⁽⁵⁾. Increases in the EU budget, the creation of the [Recovery and Resilience Facility](#) ⁽⁶⁾, which aims to support the EU recovery from the COVID-19 pandemic, and the implementation of the sustainable finance framework ⁽⁷⁾⁽⁸⁾ are all expected to trigger additional capital flows in Member States towards sustainable investment. It remains to be seen, however, if these will be enough to fill the investment gap by 2030.

The methodology used to determine the prospects of meeting the 2030 targets is described in Annex 2. It is also explained in the following key:

Methodology key**Will the objective be met by 2030?**

	It is very likely	i.e. it answers 'yes' with a high degree of confidence to the question
	It is likely but uncertain	i.e. it answers 'maybe yes' to the question
	It is unlikely but uncertain	i.e. it answers 'maybe no'
	It is very unlikely	i.e. it answers 'no' with a high degree confidence
	It is unclear	i.e. the prospects cannot be determined (e.g., insufficient data/evidence, no correlation between indicator and selected objective)



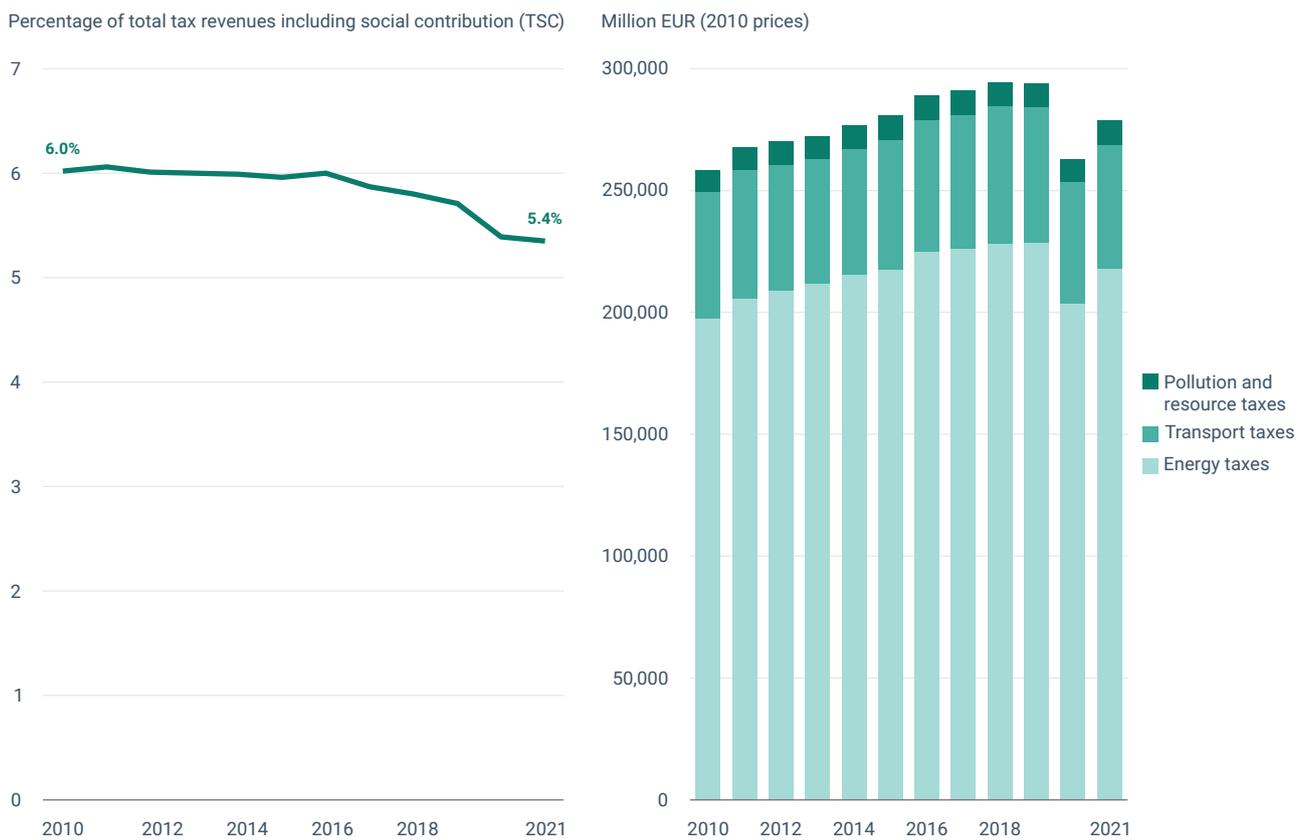
Environmental taxes:

Will the share of environmental taxes in total revenues from taxes and social contributions increase in the coming years?



Likely but uncertain. Increased ambition and scope of emissions trading support a positive trend towards 2030.

Figure 7.1 Environmental tax revenues: share in total revenue from taxes and social contributions, and absolute value, EU



Source: Eurostat.

Relevance and policy target

- Environmental taxes provide price signals and incentives to producers and consumers to pollute less and use resources carefully. Making polluters pay is at the core of EU environmental policy ⁽⁹⁾.

Indicator past trend (2010-2021): decrease ↓

Latest value (2021): 5.4%

- The share of environmental taxes in total tax revenues dropped from 6.0% in 2010 to 5.4% in 2021. This is because it is politically difficult to make changes to a country's tax system due to the perceived and real economic and social challenges associated with the price increase of the affected goods and services.

2030 outlook

- It is likely that the share will increase by 2030 because of the recently heightened ambition and augmented scope of the EU's emissions trading system ⁽¹⁰⁾. This is, however, uncertain because the expected rise in revenues from the emissions trading may be offset by a fall in revenues from the current energy taxation schemes due to the significant recent increase of greenhouse gas emission reduction targets ⁽¹¹⁾.
- Post 2030, any rise in environmental tax revenues will be challenging because the expected technological breakthroughs in energy and transport in the transition to a low-carbon, green economy are expected to erode the environmental tax base. At present, energy taxes are the largest environmental tax revenue and, with transport taxes, jointly contribute 96% to the total environmental tax revenues.



For more references and additional information, including at country level, see the full indicator version.

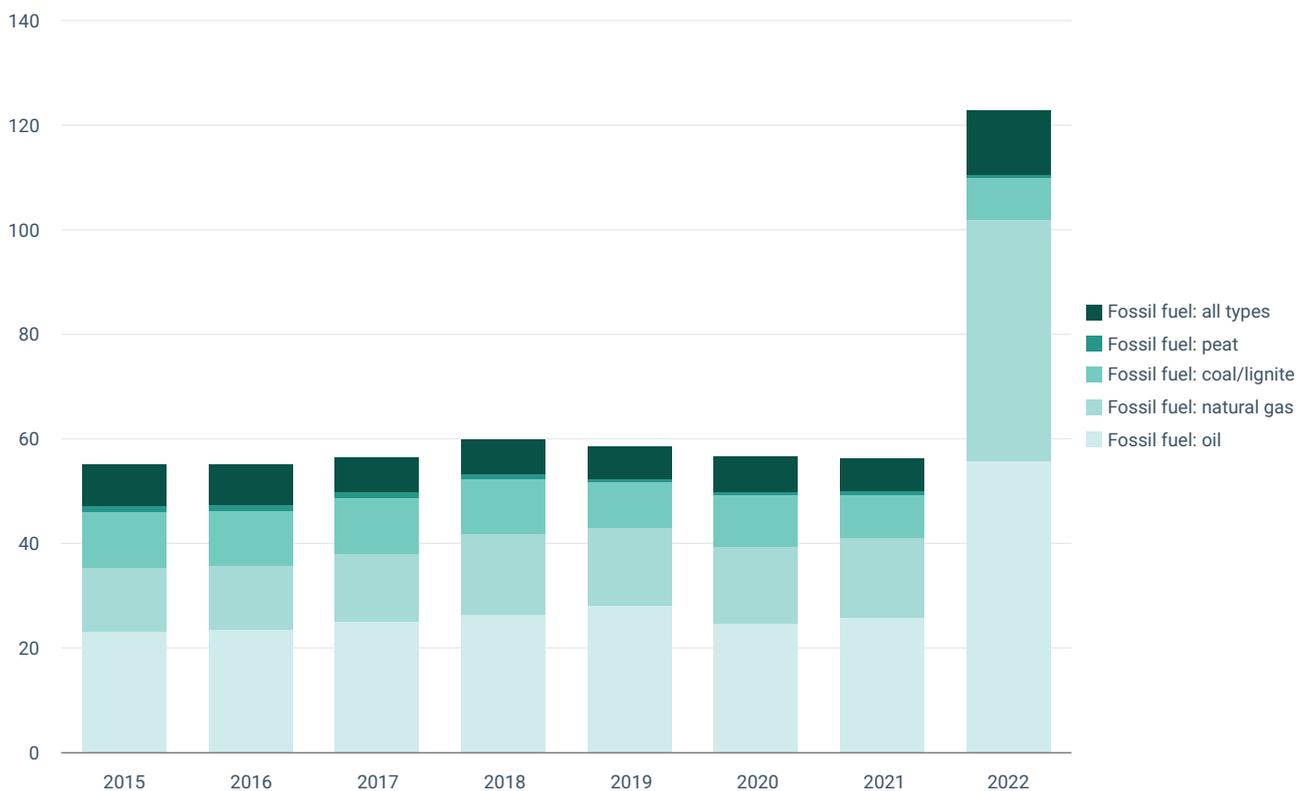
Fossil fuel subsidies:
Will fossil fuel subsidies be reduced in the coming years with a view to phasing them out without delay?



Unlikely but uncertain. There is a lack of concrete phase-out plans in most EU countries.

Figure 7.2 Fossil fuel subsidies, EU

Billion EUR (2022 prices)



Source: European Commission.

Relevance and policy target

- Fossil fuels are non-renewable sources of energy, and their production and use contribute significantly to climate change and pollution.
- In line with international commitments, the 8th EAP calls for a phase-out of subsidies to fossil fuels such as coal, gas and oil without delay.

Indicator past trend (2015-2022, in 2022 prices): stable (2015-2021) →, increase (2021-2022) ↑

Latest value (2022, preliminary): EUR 123 billion

- Fossil fuel subsidies remained more or less stable at around EUR 56 billion (2022 prices) over the 2015-2021 period, with almost half of the subsidies supporting oil and more than a quarter supporting natural gas.
- An increase in fossil fuel subsidies of almost 120% occurred between 2021 and 2022 in response to the high energy prices driven by the Russian invasion of Ukraine ⁽¹²⁾.

2030 outlook

- It is unlikely but uncertain that there will be much progress in phasing out fossil fuel subsidies by 2030.
- At present, most Member States do not have concrete plans on how and by when they intend to phase out fossil fuel subsidies ⁽¹³⁾.
- The sharp rise in subsidies in 2022 is, nevertheless, considered temporary, as for 47% of total fossil fuel subsidies in 2022 there is a planned end date before 2025 ⁽¹⁴⁾.



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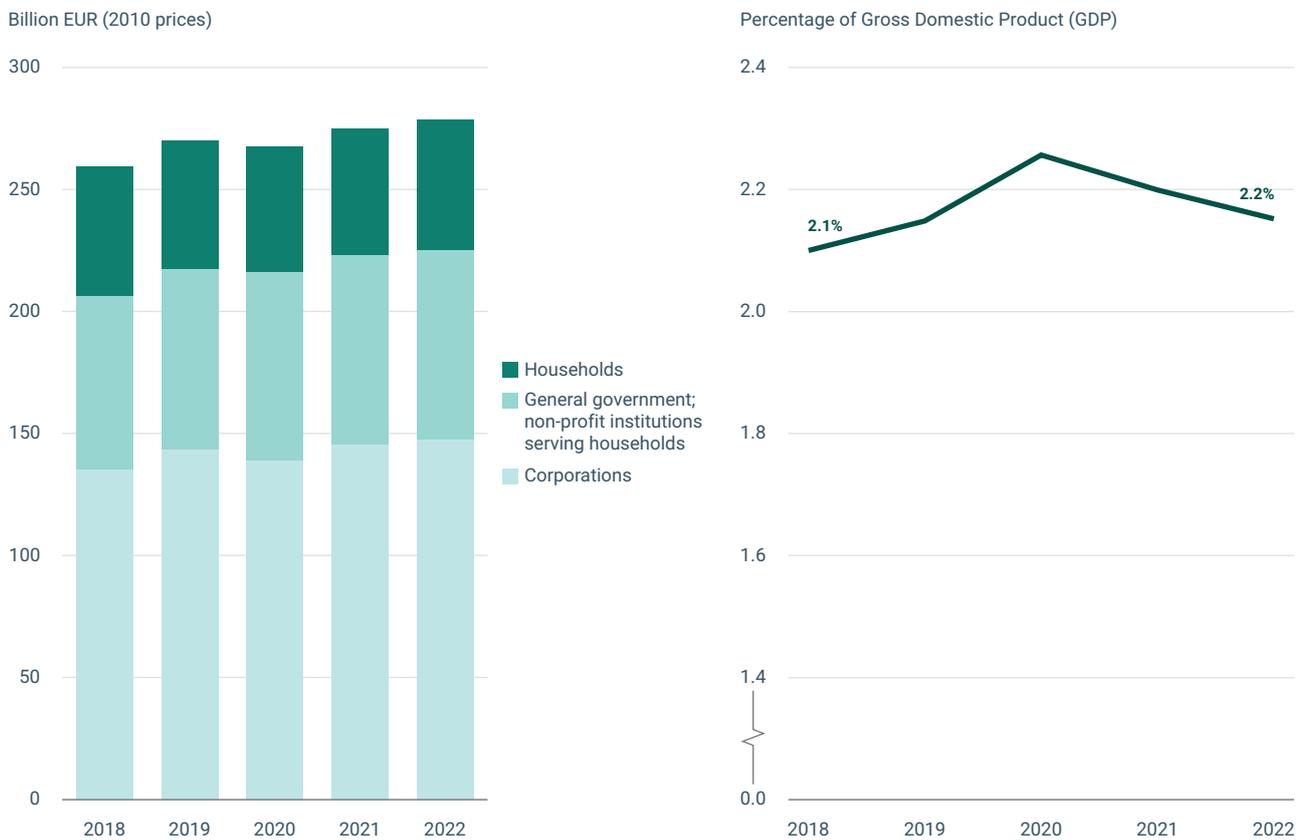
Environmental protection expenditure:

Will it increase in the coming years?



Very likely. Additional resources have been made available in the EU budget, and in grants and loans under the EU Recovery and Resilience Facility.

Figure 7.3 Environmental protection expenditure and share of environmental protection expenditure in gross domestic product, EU



Source: Eurostat.

Relevance and policy target

- The environmental protection expenditure (EPE) captures expenditure related mainly to pollution abatement, protection of biodiversity, management of wastewater and waste, environmental research and development. EPE only partly captures expenditure related to climate change and to the circular economy ⁽¹⁾⁽¹⁵⁾.
- The EU must increase environment and climate-related expenditure and therefore also EPE in order to meet the objectives of the European Green Deal.

Indicator past trend (2018-2022, in 2010 prices): increase ↑

Latest value (2022): EUR 278 billion

- In real terms (2010 prices), EPE increased in the EU by 7% between 2018 and 2022 and reached EUR 278 billion in 2022. Most has been spent on waste management and wastewater treatment activities ⁽¹⁶⁾. Additionally, most of the EPE is spent on operating expenditure, and only around 20% was spent in 2022 in investments (EUR 56 billion) ⁽¹⁷⁾.
- The EPE share in GDP remained relatively stable at around 2.0% of GDP over the 2018-2022 period. The increase in this share in 2020 was an anomaly caused by the decline in GDP during the COVID-19 pandemic.

2030 outlook

- It is very likely that EPE will increase in the coming years, as additional resources – funding, loans, guarantees – have been made available to this effect through increases in the EU budget, the [NextGenerationEU](#) recovery plan and sustainable finance actions ⁽¹⁸⁾ ⁽¹⁹⁾⁽²⁰⁾.
- Nevertheless, the European Commission estimates that an additional investment of EUR 77 billion per year is necessary from 2021-2030 to achieve the environmental objectives for the areas covered under the EPE ⁽²¹⁾. It is too early to know if the additional resources will trigger the necessary capital flows to fill the investment gap by 2030.



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⁽¹⁾ This does not capture expenditure on the production of renewable energies, energy efficiency in general or climate adaptation. However, it now includes expenditure on clean transport (vehicles and charging systems) as directly contributing to reducing air pollution.



Green bonds:

Will the share of green bonds in total issued bonds increase in the coming years?



Likely but uncertain. The ambitious environmental and climate goals of the European Green Deal may further increase this trend towards 2030.

Figure 7.4 Share of green bonds in total bond issuance, EU



Source: Refinitiv EIKON/ESMA/EEA.

Relevance and policy target

- Green bonds use the proceeds to finance green projects, assets or specific business activities that address environment and climate change issues.
- The European Green Deal underlines the need to redirect capital flows to green investments, which can be achieved through issuing green bonds, among others.

Indicator past trend (2014-2022): increase ↑

Latest value (2022): 8.9%

- The share of green bonds in the total issued bonds increased in the EU from 0.6% in 2014 to 8.9% in 2022. All entities issuing green bonds – governments, corporations, supranational bodies, municipalities and agencies – increased their issuance, although at different rates.
- The increase reflects the increasing demand from investors to finance green projects and activities, and the growing interest of the financial sector in offering financial instruments that support them.

2030 outlook

- It is likely but uncertain that the share of green bonds in total bonds issued will increase in the coming years, for several reasons.
- The demand for green bonds will remain high – driven, inter alia, by the ambitious environmental and climate objectives of the European Green Deal. Additionally, the European Commission intends to issue more green bonds to fund the NextGenerationEU recovery plan ⁽²²⁾. Finally, the framework conditions for sustainable finance have been changing in the EU, with the aim of boosting sustainable investment and thereby the issuance of green bonds ⁽²³⁾.



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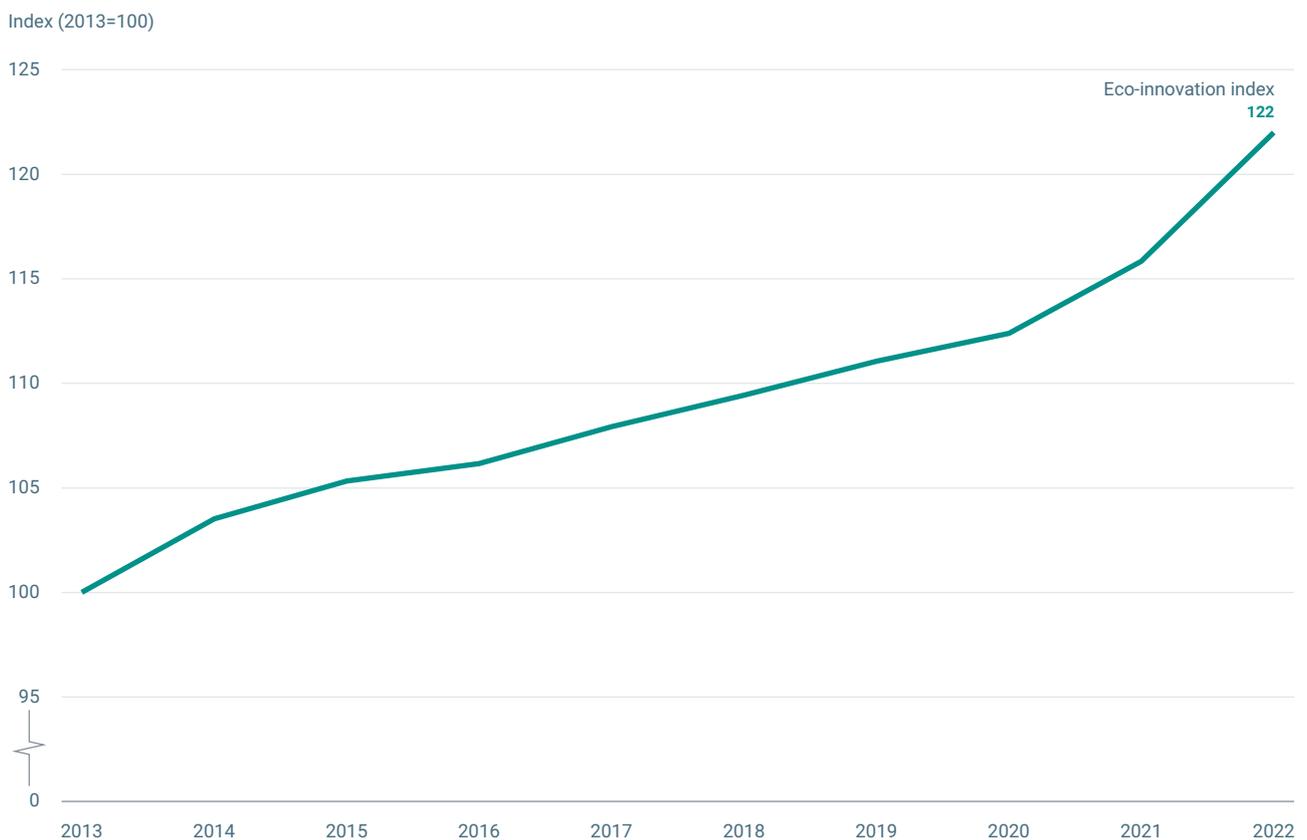
Eco-innovation:

Will eco-innovation increase in the coming years?



Very likely. The ambitious environmental and climate objectives of the European Green Deal and associated initiatives create favourable conditions for more eco-innovation towards 2030.

Figure 7.5 Eco-innovation index, EU



Source: European Commission/Eco-Innovation Observatory.

Relevance and policy target

- Eco-innovation is any innovation that reduces impacts on the environment, increases resilience to environmental pressures or uses natural resources more efficiently ⁽²⁴⁾.
- Eco-innovation is essential to achieving a transition to the carbon-neutral and sustainable economy as set out in the European Green Deal.

Indicator past trend (2013-2022): increase ↑

Latest value (2022): 122 (2013=100)

- The European Commission eco-innovation index shows an increase from 2013 to 2022, mainly driven by improvements in various aspects of resource efficiency ⁽²⁵⁾.

2030 outlook

- It is very likely that there will be further increases in the eco-innovation index in the coming years.
- This is because of the continuous increase over the years and because of the high ambition of the environmental and climate objectives of the European Green Deal and its ensuing initiatives, which will most likely drive further progress in eco-innovation ⁽²⁶⁾.



For more references and additional information, including at country level, see the full indicator version.

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