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A future-oriented Cohesion Policy post 2027

by

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On behalf of the German Environment Agency

Executive Summary

The European Union is at a cross-road with the chance to set our path towards a sustainable and just future for all Europeans. Cohesion Policy aims for social, economic and territorial cohesion in the European Union. Cohesion Policy is a core EU policy to bring the European Union to its citizens, increase their quality of life, while driving simultaneously the green transition. A well-designed EU Cohesion Policy can function as a lever to drive the green transition and to set the foundation for a resilient and competitive economy and a liveable European Union for generations to come.

In the view of the German Environment Agency, the alignment of the Cohesion Policy post 2027 needs to be future-oriented. To achieve this, the following aspects should be part of the future Cohesion Policy: regions at the center; future-oriented funding topics; earmarked funding; avoiding lock-ins, strategic regional approaches; and just transition.

Investments taken today to achieve common EU objectives such as climate neutrality, circular economy, resilience and a strong innovative economy are the best insurance for the future.

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1 A future-oriented Cohesion Policy post 2027

The European Union is at a cross-road with the chance to set our path **towards a sustainable and just future for all Europeans**. Crises have shaped our political thinking in recent years. **Competitiveness, decarbonisation and resilience** are the key pillars of the work programme of the European Commission like in the Competitiveness Compass, the Clean Industrial Deal or the Preparedness Strategy. We need to maintain economic strength while **addressing key sustainability challenges** such as climate change, biodiversity loss or pollution in order to secure the basis for any economic activity. We also need to become **less vulnerable** to economic and political dependencies including our resources and energy supply. At the same time, we see a surge of votes for populist parties across the European Union on all political levels. Those votes can be regarded as a possibility for Europeans to express their dissatisfaction. So, while we know we have an array of challenges that need to be addressed, we must ensure to take people along when addressing the challenges.

EU Cohesion Policy aims for **social, economic and territorial cohesion** in the European Union and encompasses with **a third of the current budget** a significant share of the Multiannual Financial Framework (MFF). As such, Cohesion Policy is a core EU policy to reach each and everyone in the European Union as all EU regions are benefiting from it. Thus, **Cohesion Policy** is a well-suited instrument to **bring the European Union to its citizens, increase their quality of life, while driving simultaneously the green transition** and thus enhance support for the European idea.

In the view of the German Environment Agency, the alignment of the **EU Cohesion Policy post 2027 needs to be future-oriented** instead of motivated by the past. **All regions in the European Union** should benefit from Cohesion Policy in order to increase or maintain their economic well-being, while progressing on the green and digital transition. The ultimate goal is to create sound economic conditions, healthy environments and just and prospering societies. To achieve this, the following aspects should be part of a future-oriented Cohesion Policy:

- **Regions at the center of Cohesion Policy**
- **Future-oriented funding topics**
- **Earmarked funding**
- **Avoiding lock-ins**
- **Strategic regional approaches**
- **Just transition**

On the following pages, the points above are further elaborated.

Transitions and disruptions as we face them today can be both, a challenge and a chance. A well-designed EU Cohesion Policy can function as a **lever to drive the green transition** and to set the **foundation for a resilient and competitive economy and a liveable continent** for generations to come. Dismantling Cohesion Policy or focusing on short-term solutions would threaten the chance to foster a strong, sustainable and resilient European Union. Investments taken today to achieve common EU objectives such as climate neutrality, circular economy, resilience and a strong innovative and sustainable economy are the best insurance for the future.

1.1 Regions at the center of Cohesion Policy

Regions represent the **diversity of the European Union**. They vary in history, cultures, economic focus and power, geography, climate, size, challenges and chances. They are strong points of connections for the people living in them. Thus, regions and local actors know best what they need. For this reason, regions should continue to **stay at the center of future Cohesion Policy's** development and implementation.

Further, all EU regions will face massive changes in the decades to come, including:

- Economic development to catch up with the economic well-being of regions further developed
- Economic changes and transformation as dominant industries such as the fossil fuel or chemical industry as well as infrastructure systems will have to undergo major changes
- Consequences of drastic environmental changes such as climate change, environmental degradation and a loss of ecosystem services with e.g., hotter summers, less or extreme precipitation, water pollution, or sea-level rise.

For this reason, we need a **categorisation of the regions** that is not only based on economic power but also on **topics with EU-wide relevance that will shape the future** for the regions, like transformation pressure and climate threats.

1.2 Future-oriented funding topics

In times of limited public funds and multiple societal challenges, public money should **aim at win-win-effects** rather than supporting only one goal. Specifically, while the economic competitiveness of the European Union is an important goal, future EU cohesion funding should be focused on investments that simultaneously drive transitions to a sustainable and resilient future. A prime example are investments in **climate neutrality and the circular economy** which go hand in hand with the goals of the Clean Industrial Deal. Economies and regions that are carbon-neutral and circularity-oriented contribute to Europe's competitiveness and resilience.

EU-funded investments in climate mitigation and adaptation, public and sustainable transport, ecosystem services, biodiversity, green infrastructure and environmental protection lay the basis for economic development, high quality of life in regions, and resilience of enterprises and communities. They allow people to experience the European Union in their lives. **Investments in the green transition** create opportunities for innovative solutions that give the European Union a **competitive advantage** since globally all regions will look for answers to the changing environment and scarcity of natural resources. Nature-based solutions, such as green “sponge-city” measures or restoration of river-systems, provide multiple benefits and thus should be given preferential funding.

In summary, a future-oriented Cohesion Policy requires a strong focus on the green transition to foster a carbon-neutral, biodiverse, circular and resilient European Union.

1.3 Earmarked funding

The quota for climate and the biodiversity ambition are central elements of the Multiannual Financial Framework 2021 – 2027 and as such have been implemented in Cohesion Policy. As large amounts of investments in the green transition towards EU climate and environmental

objectives are necessary for resilient and sustainable economies and regions, a **binding climate and respectively a biodiversity quota should be core elements of the future Multiannual Financial Framework and Cohesion Policy**. Both quotas should be set at least at the current level, reserving a minimum of 30% for climate and additional 10% of funding for biodiversity.

In addition, at least 50% of the funding should be **earmarked for future-oriented topics** of the green transition (e.g. through a thematic concentration in the design of Cohesion Policy). Here, funding should support innovative measures, e.g., greenhouse gas reduction that is adequately higher than the legally expected standard, or capacity building through re- and upskilling for the green transition. Such earmarked funding would contribute to additional and faster progress towards a sustainable future. **Positive lists of measures** that fall under the earmarking should be established to simplify both the programming and the granting process.

1.4 Avoiding lock-ins

There is a risk to fund and invest into measures and projects that are attractive under a short-term perspective as they offer quick fixes to current challenges, while neglecting medium-to-long-term effects or side-effects. In the current funding period, several instruments have been introduced to secure that funding does not run counter to EU climate and environmental objectives. Instruments to should guard those objectives should be used in future EU Cohesion Policy, but should be achieved by the application of an improved set of effective, efficient, streamlined and accessible instruments.

To **avoid lock-ins and to simplify** Cohesion Policy, **exclusion lists** should be used as easily applicable, unbureaucratic instruments. Exclusion lists make programming and granting of funding more transparent and streamlined. Such lists should include topics, measures, and technologies that cannot be funded, as currently applied in Article 7 of the European Regional Development Fund (ERDF) like landfills and residual waste treatment. The **Do-No-Significant-Harm (DNSH) principle should be kept as the central** and overarching instrument within the next MFF and consequently for Cohesion Policy to ensure future-orientation and prevent funding of unsustainable lock-ins or path dependencies which are likely to lead to further investment needs or damage in the future. The DNSH Technical Guidelines for the Social Climate Fund are a suitable blueprint and should be further developed for application under the future MFF and Cohesion Policy. **Consistency of instruments** such as the DNSH principle is crucial both for credibility and useability among users and evaluators. **Positive lists and technical standards** can help to simplify DNSH assessments. DNSH assessments should take place **on the highest possible decision level where an assessment is meaningful, e.g. be applied to funding guidelines which provide an appropriate degree of detail as basis for an assessment**. If a DNSH assessment identifies the need for changes, their implementation should be mandatory. To ensure DNSH is an effective tool, a **positive DNSH assessment should be made an eligibility requirement** for any further processing and granting of funding. Overlap with other existing environment and climate related instruments such as the Strategic Environmental Assessment should be avoided or assessments should be carried out in parallel to avoid duplication of work.

Climate proofing of infrastructure should be maintained as an MFF-wide requirement for public and private infrastructure, as it secures that long-term investments are future-proof. Funded infrastructure should be required to be climate-resilient by design. To enable an easy

application by all stakeholders, from project planners to implementing authorities, the Commission should provide user-friendly guidelines, an EU-wide applicable online tool and access to local climate data. Ideally, climate proofing should be integrated in the DNSH. However, with respect to assessing climate risks and adaptation needs, it will have to be project-specific.

1.5 Strategic regional approaches

As each region is different, there is neither a silver bullet approach nor the possibility for blueprints that can be applied to the development of regions. For this reason, it is important that Cohesion Policy continues following a **place-based approach**.

In order to generate a positive and meaningful impact of Cohesion Policy for regions, bringing them onto a future-oriented path, programming should be developed out of a sound analysis of regional specifics, their needs and potentials. **Regional transition plans would be a suitable instrument. They should be developed in a participative manner** with a diversity of stakeholders. On the basis of such plans, programming could be better targeted to the needs of regions and the people living there. Regions eligible for the Just Transition Fund have created such plans and have experiences that should be considered when scaling up such strategic regional approaches to all EU regions. Funding should be made available for the process of creating regional transition plans as well as **regular updates**. To involve a **diversity of voices, local knowledge and competences** the process should be public and open to representatives of a diversity of stakeholders (incl. minorities and disadvantaged groups).

Regional transition plans should have a **time horizon until at least 2050** and serve to orient programming and calls. As it will take significant time to create such plans, they should be introduced stepwise: At least the first half of the next funding period should allow for programming without such a plan, but not without DNSH assessments and with a focus on future-oriented objectives and topics as described above.

1.6 Just Transition

Cohesion Funding is ideally situated to **address and support a just green transition** in the European Union. It is crucial to include as many Europeans as possible in the transitions all EU regions will undergo to tackle the challenges of our times. **The workforce** in a variety of sectors will face massive changes in their everyday work. It is essential to acknowledge and seriously consider their concerns regarding how the green transition will affect their lives. Pure job creation in transition regions is not enough, **new jobs must be future-oriented. Up- and reskilling** should be funded through the Cohesion Policy as the transition will create a series of new job opportunities for which mostly well-qualified personnel is missing. In the same time, good and honest **communication** will be crucial to illustrate the complexity of the situation, inform on impacts and challenges, and open perspectives, but also to understand the concerns of the workforce, local residents, and enterprises. **Involving unions and civil society groups as partners** in the development of regional transition plans and regional funding will be crucial. Funding in Cohesion Policy should be also accessible for various groups which might require different co-funding quotas (e.g., lower co-funding quota for non-profit organizations).

Co-funding rates for measures lead by non-governmental and not-for-profit organisations should be increased **up to 100%**. Often, civil society including environmental or social NGOs and unions are important stakeholders which are well connected to groups that are highly

relevant for the future development of regions in the EU, such as workers. For this reason, it is important that civil society organisation may profit from Cohesion Funding for their future-oriented work.

Cohesion Policy is an important tool to **connect Europeans and the European Union**. In the next MFF, a stronger focus should be put on **elements furthering participation, empowerment, and affinity**. People and local enterprises know very well what they and their peers need in their regions. Communication, involvement, and active participation possibilities are important to include the local and every day perspective. **Place-based approaches and local action** play a key role. However, Cohesion Policy is a complex and detailed policy that is unknown to many people. Thus, involvement and participation can be challenging. Still, they are the **only way to get meaningful input and connect to a variety of groups in society** affected by regional development and the green transition. In this respect, it is important that participation is conducted in an adequate manner for the local circumstances. A relevant hindrance is that many **representatives of stakeholder groups** (even professional representatives) have limited knowledge on the possibilities of Cohesion Policy. **Capacity building through courses, resources, and financial means** are measures that help improve the quality of participation. In addition, as the perspective of less powerful groups (e.g., environmental group, minorities) are important to reach a balanced representation of perspectives in decision-making processes, **financial compensation for time** should be made available. **Technical assistance** should be provided to stakeholders which represent non-profit groups **to professionalize contributions**.

Disclaimer

This Scientific Opinion Paper is partly based on the results of the research project “EU Cohesion Policy as an instrument to support the social-ecological transformation” (FKZ 3724 14 705) contracted out to Taurus Eco Consult GmbH and nova-Institut. Results of the project itself will also be made available through publication by the German Environment Agency.

Any views expressed are the views of the German Environment Agency and may not under any circumstances be regarded as an official position of the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety or the Federal Republic of Germany.

List of abbreviations

EU	European Union
MF	Multiannual Financial Framework