



Council of the
European Union

Brussels, 31 May 2024
(OR. en)

10404/24

CLIMA 216
ENV 562
SAN 306
AGRI 444
FORETS 153
ENER 258
TRANS 252
ECOFIN 610
PROCIV 45

NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: Commission Communication on Managing Climate Risks
– Exchange of views

1. To guide the exchange of views on the abovementioned topic at the meeting of the Council (Environment) on 17 June 2024, the Presidency has prepared the attached note and questions for Ministers.
2. The Permanent Representatives Committee is invited to take note of the Presidency note and questions and forward them to the Council for the exchange of views.

Commission Communication on Managing Climate Risks**- Exchange of views -****Introduction**

The EU Climate Risk Assessment report (EUCRA)¹ published by the European Environment Agency on 11 March 2024 is a stark reminder of the accelerating pace of climate change and the severity of its impacts. The year 2023 was the hottest year on record globally and in Europe warming is happening twice as fast as the global average. It also shows that climate change is a risk multiplier and that cascading climate risks can lead to systemic challenges affecting entire societies, with vulnerable social groups being particularly affected. It makes it clear that climate risk drivers are accelerating, that several climate risks are already at a critical level, and that almost all could become critical or catastrophic within this century. According to the EUCRA, the EU and the Member States need to work together to reduce climate risks in Europe effectively. Most of the major climate risks identified for Europe are 'co-owned'. This means that policies that are key to mitigating climate risks fall under the EU's shared competences or multiple competence areas under the auspices of both the EU and Member States. In many cases, this involves the EU providing policy framing whereas the Member States maintain the responsibility for designing the implementation approaches. The rapid rise of climate risks across Europe may require new ways of cooperating across governance levels to achieve tangible and measurable progress in reducing the most urgent climate risks. Such approaches can be informed by experiences with the EU Mission on Climate Adaptation and other relevant EU instruments and policies.

¹ <https://www.eea.europa.eu/publications/european-climate-risk-assessment>

The **Commission’s Communication ‘Managing climate risks –protecting people and prosperity’²**, published on 12 March 2024, responds to the EUCRA report. The Communication focuses on key actions that the EU and its Member States need to take to better manage the increasing climate risks in the key impact areas of natural ecosystems, water, health, food, infrastructure, and the economy. The Communication also sets out the costs of climate risks and underlines the need for rapid investments. The Communication indicates that according to a conservative estimate the worsening climate impacts could reduce EU GDP by about 7% by the end of the century. If global warming goes more permanently beyond the 1.5 °C threshold of the Paris Agreement, the cumulative additional reduction in GDP for the EU as a whole could amount to EUR 2.4 trillion in the period from 2031 to 2050. Annual damages in Europe from coastal flooding could exceed EUR 1.6 trillion by 2100, with 3.9 million people exposed to coastal flooding every year.

Significant progress has already been made in strengthening climate risk resilience in the **EU policy framework** since the adoption of the European Climate Law and the 2021 EU Adaptation Strategy. Yet, despite progress, EU policy preparedness is not keeping up with the speed at which climate risks are growing, Member States need to do more on governance aspects, awareness raising, fairness and just resilience, financing, and nature-based solutions.

The Communication mentions **four broad categories of solutions** to improve dealing with climate risks both at EU level and in Member States:

- **Improved Governance** via the identification of risk ownership and encouraging closer coordination between national, regional and local levels.
- **Tools for risk owners and access to solid data** to increase understanding of the links between climate risks, investments and long-term financing strategies.

² Doc. 7732 2024

- **Harnessing of existing Member States’ structural policies and EU solidarity mechanisms** to manage climate risks.
- **The right preconditions for financial resilience** by designing public spending and incentives for private investment in a way that mobilises sufficient funds and makes preventing climate related disruptions and damages the best choice economically, in addition to better integrating climate risks into national budgetary processes.³

The Communication also sets out **specific actions to manage risks in six impacted clusters: natural ecosystems, water, health, food, infrastructure and built environment, and the economy**. For the latter, it highlights that climate change related disasters will put additional strain on the economy through loss of productivity and life, direct damage, reduced growth potential and pressure on governments’ budgets, and that the newly adopted Directive on requirements for national budgetary frameworks⁴ should help improve and mainstream climate-risk budgeting into national budgetary processes. At the same time, sufficient investment, both public and private, is needed to successfully address climate risks and build climate resilience. When investments are redirected for rebuilding after damages, the amount available for productive investment is reduced.

³ In this regard, the Reflection Group on how to mobilise climate resilience financing, announced in the Communication, was launched on 14 May 2024.

⁴ Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States requests Member States to include, to the extent possible, in their budgetary planning the macro-fiscal risks resulting from climate change and its environmental and distributional impacts. Member States are also requested to take into account, to the extent possible, information on fiscal costs incurred due to climate related shocks when publishing information on contingent liabilities with potentially large impact on public budgets. It is however acknowledged that reporting on macrofiscal risks from climate change, climate-related contingent liabilities and fiscal costs of disasters is improving but remains at an incipient stage, with methodologies and indicators for such reporting still being developed.

State of play

The Commission Communication was first presented to Ministers at the **Council (Environment)** on 25 March 2024. In view of the cross-sectoral nature of the Communication and the EUCRA report, the Belgian Presidency has actively associated other relevant Council formations in discussions at technical level, including **energy, civil protection, tourism, finance and budget, health, industry, and agriculture**. Discussions have shown that **the urgency of climate risks** and the rising **costs of inaction** are broadly recognised. In general, delegations share the view that a **systemic policy response in all relevant policy fields** is needed, including at EU level. During discussions, the following **elements** have been **stressed**: a need for enhanced coordination and collaboration between Member States and across sectors, including on monitoring and access to data; the importance of awareness-raising and communication, including to combat misinformation; the need to work on adequate financing; and the vital role of water. Different **Council configurations** also **recognized** the need to take into account **climate risks**, including resilience and risk preparedness, in their respective sectors when **developing policies and measures**, as a result of discussions across different policy areas, including space, research, competitiveness and industry, and energy.⁵

⁵ See for example: Council conclusions on ‘Strengthening Europe’s competitiveness through space of 23 May 2024 (doc. 10142/24); Council conclusions on ‘Strengthening knowledge valorisation as a tool for a resilient and competitive industry and for strategic autonomy in an open economy in Europe’ of 23 May 2024; Council conclusions on ‘A competitive European industry driving our green, digital and resilient future’ of 24 May 2024 (doc. 10127/24); Council conclusions on ‘A Single Market for the benefit of all’ of 24 May 2024 (doc. 10298/24); Council conclusions on ‘Advancing Sustainable Electricity Grid Infrastructure’ of 30 May 2024 (doc. 10459/24). It should also be noted that the La Hulpe Declaration on the Future of Social Europe, made during the High-Level Conference on the European Pillar of Social Rights organised by the Belgian Presidency on 15-16 April 2024, highlighted the importance of encouraging prevention of specific hazards stemming from climate change.

Questions for Ministers

- *Do you agree that the rapid rise of climate risks across Europe may require new ways of cooperating across governance levels, including the Union level?*
 - *What measures have been put in place at your national, regional or local level to improve budget planning? What methodological and informational tools are still required to foster resilience-enhancing reforms and investments?*
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