

## EU Cohesion Policy post 2027: proposals for a transformative EU regional policy

Europe's transition into a competitive, resilient, green and digital economy and society will only succeed if all regions unleash their potential. Cohesion Policy should continue to make a decisive contribution to this after 2027.

Our **recommendations for EU Cohesion Policy from 2028:**

- ▶ **Forward-looking, strategy-based and targeted policy approach.**
- ▶ **Focus funding on sustainability transitions** in the areas of the circular economy, energy, mobility and housing and leverage synergies between the environment, economy and society **through integrative approaches.**
- ▶ Promote **future-oriented investments** in innovation, infrastructure, qualification and governance as well as room for experimentation and learning (e.g. living labs) in order to strengthen competitiveness and resilience.
- ▶ **Increase support for natural capital and nature-based solutions** to promote synergies between the environment, economy, security and health in order to make all regions more resilient to change. **Promote** the preservation of **ecosystem services.**
- ▶ **Regions as the centrepiece of Cohesion Policy** - align funding with region-specific conditions, needs and potentials. Promote all European regions with a focus on regions with particular development challenges.
- ▶ **Strengthen participation** (partnership principle) to activate knowledge and expertise and promote innovation. Pursue local development paths that are supported by local stakeholders.
- ▶ **Earmarking of financial resources:**
  - at least 40 % of funds for climate and biodiversity objectives,
  - 35 % of funds for the green transition
  - 15 % of funds for sustainable local development.
- ▶ Keep **Do no significant harm (DNSH)** as a principle in the Multiannual Financial Framework and operationalise it for Cohesion Policy.

# 1 The European Union and its Cohesion Policy are facing major challenges

As a key instrument for the development of regions, the economy and cohesion, Cohesion Policy must make an even greater contribution to the transitions required to overcome the major challenges currently facing the European Union in the future<sup>1</sup>. Due to its territorial approach, its multi-level governance, its financial significance and its successes to date, Cohesion Policy is predestined to contribute to mastering these challenges. However, it must be reformed, both in terms of its strategic orientation and its administrative implementation<sup>2</sup>. The challenges include:

- ▶ Decrease in international **competitiveness** due to insufficient innovation performance;
- ▶ High **dependence** on critical raw materials, energy, strategic products and global supply chains;
- ▶ Excessive **bureaucracy** and regulatory complexity;
- ▶ Consequences of **demographic change** such as a shortage of skilled labour, securing public services.
- ▶ **Effects of climate change** and decarbonisation;
- ▶ The **loss of species and habitats** and thus also of ecosystem services;
- ▶ **Environmental pollution** and the loss of natural resources.

These challenges have led to numerous EU policy proposals and initiatives, such as the STEP initiative to strengthen strategic technological autonomy, the Clean Industrial Deal, the Nature Restoration Regulation, the Communication on Crisis Preparedness, etc.. Future Cohesion Policy should support such initiatives in order to drive sustainability transitions.

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<sup>1</sup> These have been comprehensively described and analysed in numerous recent studies, e.g. in Draghi, M. (2024). The future of European competitiveness; Letta, E. (2024). Much more than a market: speed, security, solidarity - strengthening the single market for a sustainable future and prosperity for all EU citizens; European Commission. (2024). Shaping a sustainable future together: Cohesion for a competitive and inclusive Europe: Report of the High Level Group on the Future of Cohesion Policy.

<sup>2</sup> The complexity of the regulations and procedures of Cohesion Policy has led to a high administrative burden and slow outflow of funds and to calls for massive simplification. See: Lämmer-Gamp, T., et al. (2024). Governance and implementation of the European Structural Funds with a view to their reorientation after 2027 - Research Project on behalf of the Federal Ministry of Economics and Climate Protection (BMWK) Final Report.

## 2 Elements for a transformative EU Cohesion Policy

### 2.1 Sustainability transitions as the key to greater innovation, competitiveness and resilience

EU Cohesion Policy was originally designed as a regional economic and structural policy with the aim of strengthening economic, social and territorial cohesion (Article 174 TFEU). For a long time, the prevailing idea was that undirected economic growth could increase prosperity and reduce development differences between regions (regional disparities). The growing awareness of the importance of natural resources, climate and environmental protection for prosperity and quality of life has led to an increased focus of EU Cohesion Policy on these issues. In the current funding period 2021-2027, these have been anchored more comprehensively, particularly through the European Green Deal. In view of the many current challenges (see Chapter 1), the relevance of environmental and climate conditions<sup>3</sup> as an essential basis for economic activity and life is in danger of being pushed into the background. However, **future competitiveness and resilience will strongly depend on the ability,**

- ▶ to generate **innovations in the field of sustainable, climate and environmentally friendly technologies and lead markets** in order to support the necessary transition processes,
- ▶ to **minimise climate-related damage**, which causes enormous economic costs, **through climate protection and adaptation measures**,
- ▶ to **preserve essential ecosystem services and healthy environmental conditions**.

It is therefore essential to **place transition goals at the centre of the strategic orientation of future Cohesion Policy**<sup>4</sup>. Ecological transition goals include, for example, the transition of the energy system, the transition to a circular economy, resilience to climate risks and the preservation of natural resources and biodiversity. To strengthen social cohesion, for example, the quality of public services and the environment must be improved. This applies in particular to regions and neighbourhoods with development problems and inadequate infrastructure. Social objectives also include participation in and socially just handling of the transition.

Two overarching principles should be pursued for the strategic orientation of Cohesion Policy<sup>5</sup>:

1. The **prioritisation and targeted support of sustainability transitions**. This ensures that Cohesion Policy contributes to the EU's environmental and climate goals and the implementation of the European Green Deal as well as to competitiveness and resilience.
2. The **avoidance or minimisation of environmentally harmful effects**. The use of horizontal instruments, such as the DNSH principle, ensures that EU-funded projects do not cause any effects that run counter to EU environmental and climate objectives.

**We understand sustainability transitions as the fundamental, systemic and comprehensive reorganisation of socio-technical systems** (e.g. in the energy or mobility system) **towards a more sustainable configuration**. Transition is more than **incremental or gradual changes**. Sustainability transitions help to alleviate persistent problems such as climate

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<sup>3</sup> These also differ considerably from region to region in terms of consequences (e.g. climate change impacts) and potential (e.g. renewable energies) and require region-specific responses.

<sup>4</sup> Also see: Baues, C., et al. (2024). Transformative Strukturpolitik in Nordrhein-Westfalen: Konzeptioneller Ansatz; Sauerborn, K., Nitschke, E.: (2024). Future EU structural policy must be transformative.

<sup>5</sup> Also see: Sauerborn, K.; Nitschke, E. (2024). Future EU structural policy must be transformative.

change, environmental pollution, loss of biodiversity or scarcity of resources. The discussion on transformative environmental policy<sup>6</sup> emphasises the need for a normative approach, i.e. targeted support should be given to those transitions that can bring about the changes necessary to achieve the EU's environmental and climate policy goals - sustainability transitions<sup>7</sup>.

The realisation of a **transformative Cohesion Policy requires an integrative understanding of policy**, in which the intersections of economic, ecological and social policy objectives, the **win-win options** of possible funding approaches and the **synergy effects**<sup>8</sup> of funding measures and individual projects are specifically explored and addressed. This requires a strategic, forward-looking and targeted policy approach<sup>9</sup> that anticipates expected developments for the design of funding policy. Cohesion Policy should be more open to open-ended, experimental funding approaches and projects that can be used to try out new approaches.

## 2.2 Guiding principle and goals

The idea of **'living well within planetary boundaries'** should serve as the **guiding principle of a transformative Cohesion Policy**<sup>10</sup>, extended from a Cohesion Policy perspective by the addition of **'in all regions of the EU'**. As the planetary boundaries have already been exceeded in many areas, efforts to (re-)adherence to those are imperative in order to avoid further jeopardising the basic human and economic foundations of life<sup>11</sup>. The following **objectives** are derived from this for a future transformative EU Cohesion Policy:

- ▶ Cohesion Policy should support the broadest possible **orientation of economic activities towards renewable raw materials and energy sources** as well as climate-neutral, circular, non-polluting and nature-friendly products and processes.
- ▶ In **social terms**, it must be ensured that **the transition processes do not have a lasting negative impact on social cohesion**, for example through the loss of employment and income opportunities, and of public services as part of structural change processes. **Compensation and strengthening measures for a just transition** are required here, also in order to achieve political acceptance for transition processes.
- ▶ **Strengthening the resilience and security** of European regions and economies should be a central concern in order to
  - **be prepared for possible future geopolitical and economic crises** that could otherwise intensify, e.g. due to dependencies on technologies and raw materials,

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<sup>6</sup> See: Wolff, F. et al. (2020). Transformative environmental policy: Consistently promote and shape sustainable development - A guide for the BMU's area of responsibility.

<sup>7</sup> See: Petschow, U. et al. (2020). Social Well-Being Within Planetary Boundaries: the Precautionary Post-Growth Approach.

<sup>8</sup> Lämmer-Gamp, T., et al. (2024). Governance and implementation of the European Structural Funds with a view to their reorientation after 2027 - Research Project on behalf of the Federal Ministry of Economics and Climate Protection (BMWK) Final Report.

<sup>9</sup> Also see: Baues, C., et al. (2024). Transformative Strukturpolitik in Nordrhein-Westfalen: Konzeptioneller Ansatz.

<sup>10</sup> European Environment Agency. (2024). Europe's sustainability transitions outlook: Short-term action, long-term thinking. This has already formed the basis of EU sustainability policies, the European Green Deal and the 8th Environment Action Programme.

<sup>11</sup> Rockström, J., et al. (2009). Planetary Boundaries: Exploring the Safe Operating Space for Humanity. Ecology and Society, 14(2). This study found that six of the nine identified planetary boundaries have already been exceeded, indicating an increased risk of significant environmental change. The authors emphasise the urgency of acting within these boundaries to ensure the stability of the Earth system.

- **prevent possible social distortions** that could, e.g., otherwise arise due to **less developed regions falling further behind**,
- **mitigate climate and environmental crises and prevent damage and losses** that, e.g., can be expected due to more frequent extreme weather events, or the progressive loss of biodiversity.

## 2.3 Principles of a transformative EU Cohesion Policy

It is recommended to purposefully utilize and further develop the existing strengths, established principles, and instruments of Cohesion Policy to establish a transformative Cohesion Policy.

**Strategic orientation and subsidiarity:** Future Cohesion Policy should be strategically geared towards overcoming current challenges and aim to interlink and address objectives in a synergistic way (e.g., competitiveness through the promotion of innovation in green technologies). Programming and implementation should take place at the spatial level best suited to the task, taking into account the respective area-specific challenges and potentials.

**Cross-sectoral and coherent policy approach:** To effectively shape and support sustainability transitions, Cohesion Policy should follow a cross-sectoral and coherent approach in its programming and implementation. Sectoral policy approaches alone are insufficient to achieve sustainability transitions—for example, in industry, transport, energy, and buildings. They must be complemented by integrated and place-based policy approaches. Conversely, integrated and place-based approaches without well-designed sectoral and structural measures and reforms will not lead to sustainable development and prosperity in all regions.

**Forward-looking structural policy:** Future EU structural funding should be more forward-looking and proactive: Measures should be designed with a long-term perspective and aligned with future challenges rather than merely reacting to problems. This requires that investments and strategies are e.g. compatible with climate targets and demographic change, and that funding is used in a way that avoids path dependencies and lock-in effects. In concrete terms, this means, among other things, that no investments in fossil fuel technologies should be subsidised, as these are not in line with the goal of climate neutrality.

**Multi-level governance:** Multi-level governance remains a core principle in a transformative Cohesion Policy. Achieving the transition to a good life within planetary boundaries requires that all levels - from the local to the EU level - must work together in a coordinated manner and jointly shape the transition processes. The regional and local level is of particular importance for the design, implementation and success of sustainability transitions. This is because transitions unfold their impact where people live, work and do business - in the regions and municipalities. It is essential that the higher levels of governance set the right framework conditions.

**Strengthening the partnership principle:** The partnership principle should remain a central steering principle and be further deepened. It helps to tailor transition to actual needs, activate local knowledge and capacities, foster innovation, and ensure acceptance and participation. The involvement of municipal and civil society actors, including youth, should be actively strengthened. Environmental organizations are relevant actors who, with their local knowledge and expertise, make valuable contributions to designing environmentally just measures. Resource-poor actors should be specifically empowered to actively shape transformative Cohesion Policy through targeted capacity development and compensation. More technical assistance should be provided to build professional capacities among stakeholders in order to enable more effective participation and implementation of Cohesion Policy.

**Comprehensive and place-based approach:** Future Cohesion Policy should continue to cover the entire area of the EU, as sustainability transitions represent a challenge that affects all regions. A place-based approach is key for addressing the economic, social, and environmental specificities of regions as well as their needs and potentials. Such an approach enables to develop tailored solutions – also across regions - that meet the specific requirements. In financial terms, funding should be focussed on the areas most in need.

## 2.4 Fields of action

In light of the challenges described above the following fields of action should be placed at the centre of a future Cohesion Policy geared towards sustainability transition. Decarbonization, the circular economy and the protection of natural resources are key cross-cutting aspects in all areas of funding and transition—just like the just transition, the digital transition and the strengthening of resilience.

### 2.4.1 Transformative regional innovation support

Innovation and research are a key lever for increasing productivity and competitiveness as well as for the successful implementation of the green and digital transition. Clean technologies, for example, are at the centre of the green transition and open up opportunities to access new markets. The regional level is an important driver of research and innovation. Innovations often arise from specific challenges and strengths of a region. Spatial proximity and close networking between businesses, research institutions, public authorities and civil society foster the development and dissemination of new solutions. Regions also offer ideal test environments for piloting and further developing innovations.

In the future and in the spirit of a mission-oriented research funding innovation funding should therefore be specifically focussed on sustainability transitions. It should aim to unlock the existing potential for innovation, prosperity, and sustainability in all EU regions and be made a financial priority. The priorities and direction of innovation funding should be defined as part of transformative and place-based strategies and should be based on a broad understanding of innovation, comprising not only technological innovations and new business models but also social and societal innovations.

**Digital transition** is of particular importance here. Artificial intelligence and other digital technologies are key technologies for environmental innovations and an important driving force for the green transition, for example through the control of energy grids. On the other hand, there are challenges and risks associated with digitalisation, such as the very high energy demand and carbon footprint. A transformative Cohesion Policy can and should help to ensure that the digital, green and just transition are purposefully tackled together.

### 2.4.2 Green transition

Similarly, it applies to the green transition that:

- 1) Competitiveness of the European economy and regions and the green transition<sup>12</sup> can - and should - go hand in hand. The European Commission has presented a joint roadmap for decarbonisation and competitiveness in form of the Competitiveness Compass<sup>13</sup>. The

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<sup>12</sup> By “green transformation”, we refer within the context of Cohesion Policy to those areas covered by the current Policy Objective 2.

<sup>13</sup> European Commission. (2025a). Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. A compass for a competitive EU. COM(2025) 30 final.

importance of the circular economy for the competitiveness, security of supply and resource efficiency of the European economy is highlighted in the Competitiveness Compass, the Clean Industrial Deal (COM(2025)85final) and the Letta Report<sup>14</sup>. According to the Niinistö report<sup>15</sup> and the EU Preparedness Union Strategy<sup>16</sup>, maintaining ecological viability and sustainable resource management are not only the basis for well-being and prosperity, but also for Europe's long-term security and resilience. The JRC in a recent study<sup>17</sup> pointed out that investments in natural capital pay off and promote regional economic growth in the EU and regional cohesion.

- 2) Regions play a key role in the green transition. They must leverage their respective potential, e.g. for the expansion of renewable energies, and master specific challenges, such as climate change adaptation, raw material demands, the circular economy, or the preservation of ecosystem services. Regions are responsible for implementing a significant share of green transition investments. Because regions are affected differently by the green transition, the transition must be shaped taking into account both ecological and social aspects to avoid increasing regional disparities.

Policy Objective 2 "A Greener Europe" within the current EU structural funding framework already addresses a wide spectrum of themes and needs of the green transition. It promotes the decarbonization of the energy system, adaptation to climate change, water management, the circular economy, the protection and restoration of nature, biodiversity, green infrastructure and sustainable multimodal urban mobility. **It is recommended to maintain this broad funding scope in the future and to further develop it with the following priorities:**

- ▶ Strengthen the green (circular) economy through lead markets for clean technologies, support for start-ups, resource-conserving business and circular business models.
- ▶ Prioritise and promote energy efficiency as the most important and cheapest energy source.
- ▶ Expand renewable energies and utilise their potential to strengthen structurally weak and rural areas.
- ▶ Advance sustainable mobility through low-emission, digitally connected and integrated mobility solutions in urban and rural areas.
- ▶ Secure economic resources and natural ecosystems through nature restoration, strengthening of climate resilience, sustainable water and land use.
- ▶ Prioritize nature-based solutions in the context of climate adaptation due to their multiple benefits for people and the environment, and promote them through incentives.
- ▶ Use sustainable public procurement strategically to drive the green transition and strengthen green lead markets.

### 2.4.3 Socially just and inclusive transition

Leaving no one behind in the transition to a sustainable and competitive economy is an integral part of the EU Green Deal as well as the UN Sustainable Development Goals. The green and digital transition can only be successful and gain social acceptance if it is shaped in a just way, in line with the European Pillar of Social Rights. This requires a coordinated transition strategy with effective measures to strengthen social protection, promote employment opportunities,

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<sup>14</sup> Letta, E. (2024). Much more than a market: Speed, Security, Solidarity - Empowering the single market to deliver a sustainable future and prosperity for all EU Citizens. "*Circular economy is the only possibility of saving the planet and changing the paradigm of present manufacturing, and ... the ability to convert these assets into innovation and a thriving industry.*"

<sup>15</sup> Niinistö, S. (2024). Safer Together Strengthening Europe's Civilian and Military Preparedness and Readiness.

<sup>16</sup> European Commission. (2025b). Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Preparedness Union Strategy. JOIN(2025) 130 final.

<sup>17</sup> European Commission: Joint Research Centre. (2025c). Natural capital and regional growth: Insights from the European Union. Publications Office of the European Union. Luxembourg.



ensure social participation, support skills development and provide equal access to public services and infrastructure. In concrete terms:

- ▶ demographic change and its consequences, e.g. for public services and the availability of skilled labour, should be specifically addressed within future Cohesion Policy through stronger strategic anchoring and dedicated funding priorities,
- ▶ the development of **necessary skills and qualifications** for the green and digital transition should be promoted to support the transition in affected sectors and regions,
- ▶ targeted measures should be taken to avoid social hardship, such as energy poverty among low-income and asset-poor groups. At the same time incentives should be created to see the green transition as a favoured option, e.g. by promoting building renovation and energy efficiency measures for low-income groups,
- ▶ in regions undergoing structural change, funds should be specifically allocated for the elimination of environmental degradation and the creation of healthy environmental conditions.

#### 2.4.4 Transformative place-based approaches

The potential of place-based, integrated and collective approaches for sustainability transitions at the local level should be utilized more effectively and systematically in the future. To this end, the following is recommended.

- ▶ Existing instruments such as **CLLD, LEADER, ITI etc., including the JTF, should be brought together under one roof** and adequately funded to strengthen the effectiveness of transformative place-based approaches.
- ▶ Funding should focus on areas that are most affected by the economic and social impacts of the green transition, such as coal regions or regions severely affected by climate change. In doing so, consideration should be given to the extent to which regions require support, based on their economic situation and innovative capacity.
- ▶ At the same time, the opportunities of place-based approaches to drive sustainability transition in cities, rural and urban-rural areas should be used across the entire EU territory and include the piloting of mission-oriented approaches such as "climate-neutral and resilient cities and regions 2035".
- ▶ Funding should be based on territorial transition plans that are developed with the participation of the relevant local actors. Their implementation should be supported by capacity building and interregional networking.

#### 2.5 Mainstreaming environmental and climate objectives

A Cohesion Policy geared towards sustainability transitions must take environmental and social considerations into account during programming and implementation in order to preserve the natural and social foundations of prosperity. From an environmental perspective, this means both actively promoting the green transition and, at the same time, preventing negative environmental impacts as much as possible.



### 2.5.1 Earmarking of funds for environmental and climate objectives - vertical mainstreaming

In its most recent Environmental Implementation Review (EIR) from 2022<sup>18</sup>, the European Commission estimated the annual funding gap for environmental investments in the 2021–2027 programming period at between EUR 76 and 110 billion per year in the EU. To meet the 2030 implementation targets, the additional investment needs for climate, energy, and transport are quantified at EUR 390 billion per year (EU-27) and a further EUR 130 billion per year is required to achieve the EU's key environmental targets. The annual funding gap in the area of biodiversity is estimated at around EUR 20 billion. The additional financial needs for implementing the EU Nature Restoration Regulation have yet to be determined. Against this background, the following is recommended:

- **At the level of the Multiannual Financial Framework**, the existing **climate and biodiversity targets** should be expanded and the methodological guidance for climate and biodiversity tracking further developed. With regard to the ERDF, the current 30% climate spending target should at least be maintained. A binding funding share of at least 10% should be introduced for biodiversity projects, to support among other things the implementation of the EU Nature Restoration Regulation and reduce the biodiversity funding gap. In addition to such quotas, a higher EU co-financing rate for climate and biodiversity measures could incentivise greater commitment.
- **At the level of Cohesion Policy**, the instrument of **thematic concentration** should continue to be used. At least 35% of funds should be allocated to the green transition, and at least 15% should support place-based, participatory, and sustainable transition processes at the local level in cities, rural areas, and areas most affected by the transition to climate neutrality.

### 2.5.2 Preventing Environmental Harm – Horizontal Mainstreaming

Even within a Cohesion Policy geared toward sustainability transition, preventing environmental harm remains both an ecological and economic necessity and a prerequisite for sustainable development in accordance with Article 11 of the TFEU. The funding framework has to ensure that funding measures do not undermine the objectives of the green transition.

Various instruments, approaches, and obligations already exist in EU Structural Funding to avoid negative environmental impacts, such as the cross-cutting objective of sustainability, project selection criteria, Strategic Environmental Assessment (SEA), Climate Proofing for infrastructure and the “Do No Significant Harm” (DNSH) principle. However, due to overlapping content, unclear guidance, and inconsistent application, the implementation and interaction of these instruments are considered to be less effective and efficient. To effectively prevent environmental harm with minimal administrative burden in the future, the following is recommended:

**Principles and level of ambition:** Beyond mere compliance with existing EU environmental requirements, a transformative Cohesion Policy should ensure that:

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<sup>18</sup> European Commission. (2022). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Review of the implementation of environmental policy 2022. Turning the tide through environmental compliance. COM(2022) 438 final

- ▶ all funded measures are in line with the EU's environmental and climate goals, such as climate neutrality or biodiversity goals (e.g. resilient, climate-neutral infrastructures, minimising land consumption) and
- ▶ achieve the best available level of environmental and climate performance and the corresponding standards (e.g. in energy efficiency or use of circular materials) and
- ▶ funding does not lead to lock-in effects or technological path dependencies that contradict sustainability transitions.<sup>19</sup>

**Legal anchoring and implementation:** The outlined principles should be uniformly introduced across the entire MFF through a **Single Rulebook** to ensure efficiency and comparability. They should be implemented at the highest possible level within the funding structure that allows effective steering in order to avoid burdensome individual reviews at project level as far as possible. **It is recommended to:**

- ▶ Anchor **DNSH as a central and overarching principle** in the MFF 2028–2034 in accordance with Article 33(2)(d) of the recast Financial Regulation 2024/2509, ensuring that funding does not jeopardize the environmental objectives of climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems.
- ▶ Define a cross-MFF **exclusion list** based on existing exclusion lists in the ERDF, JTF, CF and InvestEU that simplifies the implementation of the DNSH principle and exclude e.g. the funding of fossil fuels.
- ▶ Develop **technical guidelines for the consistent implementation of DNSH** in the MFF 2028 – 2034, following the approach for the Social Climate Fund (C(2025)880final) and incorporating the principles and ambition level outlined above.
- ▶ Develop **sector-specific guidelines and criteria, including positive lists**, for the key MFF funding areas, also oriented at the SCF guidelines, which enable efficient and effective implementation of the DNSH principle.
- ▶ **Avoid redundancies** among the existing **environmental assessment instruments**, e.g. by merging the SEA and DNSH assessment at programme level, and by integrating Climate Proofing into the DNSH assessment.
- ▶ Establish **compliance with the DNSH principle as a binding eligibility requirement**.
- ▶ **Ensure the effectiveness of the DNSH principle** by 1) conducting DNSH assessments at the level where a substantive and appropriate review is feasible (this may include funding guidelines or call requirements), and 2) implementing the necessary adjustments to funding frameworks and projects identified by DNSH assessments in a binding manner.

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<sup>19</sup> Lock-in effects refer to structural, technological or institutional path dependencies that result in the continuation of existing economic and infrastructure systems even though more sustainable alternatives are available. For example, investments in fossil fuels such as gas infrastructure with a long service life would hinder the transition to a climate-friendly energy supply for decades.

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