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European Commission

Annual Activity Report 2022

DG Climate Action

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Dear reader,

2022 was a transformative year in our efforts to deliver policies and to achieve the objectives of the European Green Deal. I am proud to say that the European Commission's Directorate-General for Climate Action played a key role in driving the transition **towards a climate-neutral Europe by 2050**, as envisaged in our European Climate Law.

By the end of 2022, we managed to reach political agreement on key pieces of EU **legislation to reduce greenhouse gas (GHG) emissions by at least 55% by 2030** such as the EU Emissions Trading System (ETS), including the extension of carbon pricing to maritime transport, a higher contribution from the aviation sector, and the introduction of a new ETS for buildings and road transport. A Social Climate Fund will be established to support vulnerable households, micro-enterprises and transport users, ensuring a green transition that leaves no one behind. EU legislators further agreed on revisions of the Effort Sharing Regulation, the Land Use, Land-Use Change and Forestry (LULUCF) Regulation, and the CO_2 standards for cars and vans.

DG Climate Action's achievements took place under the **very challenging circumstances** of the COVID-19 recovery, Russia's invasion of Ukraine and surging energy prices. In this context, the EU has doubled down on its European Green Deal objectives: the **Recovery and Resilience Facility** is driving climate action in EU Member States and **REPowerEU**, will contribute to reduced emissions while improving Europe's energy security.

2022 was also a **challenging year for DG Climate Action** in particular, with the tragic passing away of the Director General Mauro Petriccione in August 2022. The following months, the DG was led by **Clara de la Torre,** and since January 2013 I am honoured to continue Mauro's legacy in delivering EU climate action as the new Director General. The DG also underwent a reorganisation in January 2022 with a new organisational structure in place to adapt to our increased ambitions.

This **Annual Activity Report** provides an outline of our achievements in 2022 towards the objectives set in DG Climate Action's Strategic Plan 2020-24 and Annual Management Plan 2022. I invite you to read more about our policy achievements in Part 1 of this Report. Part 2 provides insights into how we reached these achievements and gives more information about the management of the allocated resources and the internal organisation of the Directorate-General.

For more information on the activities of DG Climate Action, please visit our website: https://ec.europa.eu/clima/index_en.

Kurt Vandenberghe	Clara de la Torre
Director-General	Deputy Director-General

THE DG IN BRIEF

The Directorate-General for Climate Action (hereafter 'DG Climate Action') is responsible for EU policy, legislation and action to **tackle climate change**. Under the political guidance of the Executive Vice-President Frans Timmermans, the DG plays a leading role in delivering **the European Green Deal**, the first flagship initiative of this Commission.

In this context, **DG Climate Action** leads the European Commission's efforts to tackle climate change at EU and international levels. Its **mission** is to formulate and implement EU climate policies and strategies, so that the EU can become the **first climate-neutral and climate resilient continent by 2050**.

The DG plays a key role in developing and implementing policies to **reduce greenhouse gas emissions**. It aims at promoting **low-carbon technologies**, accelerating the **green energy transition** and reducing EU dependency on fossil fuels, maintaining ambitious **global leadership** in climate action, protecting people and the planet against current and future **impacts of climate change**, enabling **changing behaviour**, greening public and private **finance**, and ensuring the **mainstreaming of climate action** into the EU budget and into EU and Member States' policies.

DG Climate Action had **310 staff members** at the end of 2022, including 22 additional members of staff added in 2022 to address the increased workload following the European Green Deal, with a greater political focus on climate aspects in all EU policies. Close to 90% of staff are active in **policymaking**. Following a major reorganisation in January 2022 the DG is now structured around five directorates. After the tragic passing away in August 2022 of its **Director-General Mauro Petriccione**, the DG was led by **Clara de la Torre** until the appointment of **Kurt Vandenberghe** in January 2023.

DG Climate Action is developing its mission in five complementary ways:

1. By developing cost-efficient **EU climate legislation and other policy tools** to radically accelerate emission reductions and **enhance resilience**, so as to meet the more ambitious climate targets for 2030 as set out in **the European Climate Law;** and working with Member States to ensure the effective steering of investments, implementation and enforcement of climate legislation and policies.
2. By implementing and developing **the EU Emissions Trading System (EU ETS)**, including the Union Registry (managed in-house and containing sensitive information) and its ongoing revision, as well as existing and future international cooperation on carbon markets and Agreements linking the ETS with other carbon markets in the world.
3. By leading the EU's **international negotiations** on climate change and ozone-depleting substances, working with the international community and key partners to ensure implementation of the Paris Agreement, and building on bilateral relations with third countries to encourage decisive climate action on their part.
4. By **encouraging Member States** to plan, to take measures and to finance the **green energy transition** through the National Energy and Climate Plans (NECPs), the Recovery and Resilience Facility (RRF) and the European Semester.
5. By investing in a just transition towards a low-carbon and climate-resilient economy, through the **LIFE Programme,** the **Innovation Fund, the Modernisation Fund** and the **Horizon Europe** framework programme. By delegating and supervising the implementation of the grant components of three financing programmes to the **European Climate, Infrastructure and Environment Executive Agency (CINEA)**. By contributing to the **mainstreaming** of climate action into the EU budget.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG Climate Action to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordination, executive and management functions it exercises, as laid down in the Treaties[1].

A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

Climate change is one of the biggest challenges of our times. The latest Intergovernmental Panel on Climate Change (IPCC) reports[2] confirm that transformative global action must be taken to **reduce GHG emissions** in order to meet the goals of the Paris Agreement. Since climate change is here to stay and some of its effects are now unavoidable, there is an urgent need to **adapt and become resilient to the substantial impacts** of climate change, which are putting lives and livelihoods at risk – especially for the most vulnerable. The recent Eurobarometer on the Future of Europe[3] showed an **overwhelming support for the climate objectives** of the European Green Deal with almost nine in ten Europeans agreeing that tackling climate change can help improve their own health and well-being.

Against the backdrop of **Russia's invasion of Ukraine**, the achievements made by the EU in 2022 show once again the EU's determination to become climate neutral by 2050, to transform our economy and society, to leave nobody behind, and to ensure our energy security.

Executive Vice-President for the European Green Deal, **Frans Timmermans** said:

"*In the last year the world has faced* **unprecedented difficulties***. The global* **health crisis***, the* **Russian invasion of Ukraine***, and the surge in* **energy prices** *have highlighted our fragility, while the devastating impacts of the climate crisis continue to materialise before our eyes. Against uncertainty and with huge challenges still ahead, the* **European Green Deal** *is and remains our blueprint and guide for a resilient and climate-neutral Europe. Work continues to deliver on its targets, so that we reduce greenhouse gas emissions, create jobs and boost innovation. We should not be under any illusion that this transition is going to be easy, but the human and economic costs of inaction will only increase the longer we wait. We simply cannot afford to slow down.*"

(1) Article 17(1) of the Treaty on European Union

(2) In 2021 and 2022, the IPCC released reports produced by three working groups for its Sixth Assessment Report – the Physical Science Basis report (Working Group I) in August 2021, the report on impacts, adaptation and vulnerability (Working group II) in February 2022 and the report on climate change mitigation (Working group III) in April 2022.

(3) Special Eurobarometer 517 Report

The **European Green Deal** is the EU's long-term growth strategy to make Europe **climate-neutral by 2050**. To reach this target the EU must reduce its net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels.

By reducing greenhouse gas emissions by 32% in 2020 compared to 1990[4], the EU has substantially **exceeded its 2020 reduction target of -20%**. Following an exceptionally low 2020 pandemic level, EU domestic **greenhouse gas (GHG) emissions rebounded in 2021** (+4.8%), but they remained 4% below 2019 levels. The **GHG emission intensity** of the EU economy fell in 2021 compared to 2020, showing a continued decoupling between emissions and growth rate. **EU net domestic emissions**, including the Land Use, Land Use Change and Forestry (LULUCF) sector, were **30% lower than 1990 levels**, and remain broadly on track to achieve the EU's -55% net GHG emissions target by 2030.

To deliver on the commitments made in the European Green Deal, DG Climate Action's most important achievements in 2022 were to:

- Facilitate the **political agreements** reached with the European Parliament and Council on several key climate legislative proposals to deliver on the increased target to reduce net greenhouse gas emissions by at least 55% by 2030. This includes in particular the proposals to revise the **EU Emissions Trading System Directive**, including the **Market Stability Reserve**, the **Effort Sharing Regulation**, **CO2 standards for cars and vans**, the **Land Use, Land Use Change and Forestry Regulation**, and to set up the **Social Climate Fund**;
- Prepare the revision of two Regulations, adopted in 2022, to better control **fluorinated greenhouse gases (F-gases)** and **ozone depleting substances (ODS)**, reducing emissions even further and providing incentives to use climate-friendly alternatives;
- Prepare a legislative proposal, adopted in 2022, for a first EU-wide voluntary framework to reliably **certify high-quality carbon removals** to boost innovative carbon removal technologies and sustainable carbon farming solutions;
- Prepare a proposal to **reduce CO2 emissions from Heavy-Duty Vehicles** cost-effectively, setting more ambitious emission-reduction targets, fostering innovation in zero-emission technologies and providing benefits for citizens, consumers and transport operators;
- Prepare **guidance** to Member States on the process and scope of the **update of their 2021-2030 national energy and climate plans**, that need to reflect the higher ambition under the European Climate Law, the Fit for 55 package of proposals and RepowerEU;
- Implement the various actions under the EU's 2021 **strategy on adaptation to climate change**, for example with the launch of the **Climate Resilience Dialogue**

(4) Cf. Key Performance Indicator (KPI) 1 presented in the next section

which aims at exchanging views on how to address the losses incurred from climate-related disasters;

- Prepare the launch of 17 calls amounting to EUR 360 million under the **mission on Adaptation** to fund research and innovation actions to help rebuild areas impacted by extreme weather events, restore floodplains, explore vertical farming and prototype insurance approaches, or design a 'perfectly adapted' city ready to withstand a storm or heatwave.
- Co-lead the design and implementation of research and innovation activities in the area of Energy, Transport and Climate within **Horizon Europe**. This resulted in the publication of calls amounting to EUR 1,5 Billion in 2022. Furthermore, the DG has led the mainstreaming activities of climate action within the rest of Horizon Europe reaching 72 % of funding this year in the areas of Food, bioeconomy, natural resources and environment and 41 % in the area of Digital, Industry and Space.
- Support the financing of the **green transition**, in particular by supporting the investment in innovative low carbon technologies and facilitating the mainstreaming climate-related spending in the **EU budget**. Under the **Innovation Fund,** about **€3 billion** have been invested in 52 projects across 16 countries since its start in 2020, with investments in 16 sectors such as hydrogen, cement, chemicals, solar and wind energy. The year 2022 was also the second year for the operation of the **Modernisation Fund,** which so far has disbursed around **€5 billion** in eight beneficiary countries. Around **EUR 755 million** will be spent on climate and environment projects under the **LIFE programme** in 2022, including for clean energy transition
- Lead the EU international negotiations in the context of the **27th UN Climate Change Conference (COP27)**, secure a deal to keep the targets of the Paris Agreement alive and help to put in place balanced **new funding arrangements** to help vulnerable communities to face **loss and damage** caused by climate change. Throughout the conference, DG Climate Action **hosted over 125 side events** at the EU Pavilion in Sharm el-Sheikh.
- Engage with **multilateral and bilateral partners** to convince and support other countries, in particular major emitters, to increase their climate ambition. DG Climate Action endorsed **South Africa**'s Just Energy Transition Investment Plan and two additional **Just Energy Transition Partnerships (JETP)** were signed respectively with **Indonesia and Vietnam**. In addition, the EU and the **Kingdom of Morocco** launched the first **Green Partnership** on energy, climate and the environment.
- Contribute to the involvement and commitment of the public, regions, local communities and of all other stakeholders, in particular by steering the **European Climate Pact**. Almost 1000 ambassadors from all walks of life are driving change in their communities. Pledges collected, including via the partnership with 'Count Us In' have so far led to more than 100.000 Europeans taking 4.37 million CO2 reducing 'steps".

B. Key performance indicators

KPI 1 **Greenhouse gas emissions**[5]	☺	**Target**: -55% of net greenhouse gas emissions by 2030 compared to 1990 (i.e. including emissions and removals from land use, land use change and forestry) **Result :** EU net domestic emissions in 2021, including LULUCF, were 30% lower than in 1990 levels, broadly consistent with the trajectory to achieve the EU 55% reduction target by 2030. **Source:** DG Climate Action, Climate Action Progress Report.
KPI 2 **Climate mainstreaming in the European Union budget**[6]	☺	**Target:** At least 30% of EU budget 2021-2027 on climate-relevant expenditure **Result:** Preliminary estimates of the climate contribution of the main programmes in the 2021-2027 period: 34.8% of the EU budget in 2022 (estimation based on commitment appropriations). **Source:** Statements of estimates 2023, DG Budget
KPI 3 **Number of Climate Pact pledges**[7]	☺	**Target :** Steady increase in Climate Pact pledges since its launch in 2020 **Result:** Citizen pledges: 113,983 registered EU users on the 'Count Us In' platform for individual pledges (and a total of 4,375,303 climate action steps. 3785 pledges from organisations and groups **Source :** DG Climate Action, European Climate Pact website
KPI 4 **Number of Member States with adaptation plans**[8]	☺	**Target:** All EU Member States with adaptation plans by 2024 **Result:** 23 Member States have submitted and received validation of their National Adaptation Plan[9]. **Source:** Climate-ADAPT
KPI 5 **Estimated risk at closure**	☺	**Target**: Risk at payment and risk at closure should be lower than 2% **Result**: The detected error rate (DER) is estimated at the level of 0,5% in 2022. The adjusted average recoveries and correction (ARC) is at the level of 0.0%, therefore the estimated risk at payment and at closure remains at 0,5% **Source**: European Commission, DG Climate Action

(5) Cf. Impact indicator 1 in Annex 2 “Performance tables”

(6) Cf. Impact indicator 4 in Annex 2 “Performance tables”

(7) Cf. Result indicator related to specific objective 1.4 in Annex 2 “Performance tables”

(8) Cf. Result indicator related to specific objective 1.5 in Annex 2 “Performance tables”

(9) National Adaptation Plans usually aim to implement National Adaptation Strategies and to organise activities for achieving their objectives.

C. Key conclusions on financial management and internal control

In line with the Commission’s Internal Control Framework DG Climate Action has assessed its internal control systems during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall but some improvement are needed as minor deficiencies were identified oversight responsibility and the establishment of structure and authority. Please refer to annual activity report section 2.1.3 for further details.

In addition, DG Climate Action has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance albeit qualified by a reservation concerning the EU Emission Trading IT System.

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between DG Climate Action and the Commissioner on management matters, the main elements of this report and assurance declaration, including the reservation to maintain, have been brought to the attention of Executive Vice-President Frans Timmermans who is responsible for DG Climate Action.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT

As presented in the Strategic plan for 2020-2024, the mission of DG Climate Action is to formulate and implement EU climate policies and strategies; so that the EU can become the **first climate-neutral and climate resilient continent by 2050**.

The DG leads the European Commission's efforts to **fight climate change at EU and international level**. It plays a leading role in developing and facilitating the implementation of cost-efficient policies and legislation to deliver on **the European Green Deal**, the first flagship policy of this Commission.

The DG promotes innovative decarbonisation technologies to tackle global warming. It maintains ambitious global leadership in climate action, protecting the ozone layer, and enhancing the international and domestic carbon markets. It contributes to greening finance, facilitating change in behaviour across our society, ensuring the mainstreaming of climate action into the EU budget, and into EU and Member States' policies.

Reduction of greenhouse gas emissions

EU total GHG emissions fell by 32% in the EU 27 in 2020 compared to 1990[10], thus far **exceeding the 2020 target of a 20% reduction**.

The **GHG emission intensity** of the economy continued to **fall in 2021**, with the ratio between emissions and GDP falling by 6.1% CO2 eq/EUR compared to 2020. The decoupling of growth and GHG emissions shows that growth, employment and climate action can go hand in hand.

However, GHG emissions have increased in 2021 driven by the recovery from the pandemic. Provisional data show that the **EU domestic greenhouse gas (GHG) emissions**, excluding international aviation, **rose by 4.8% in 2021** from their exceptionally low 2020 pandemic level, though they remained 4% below 2019 levels.

(10) Excluding land use, land use change and forestry (LULUCF) and including international aviation.

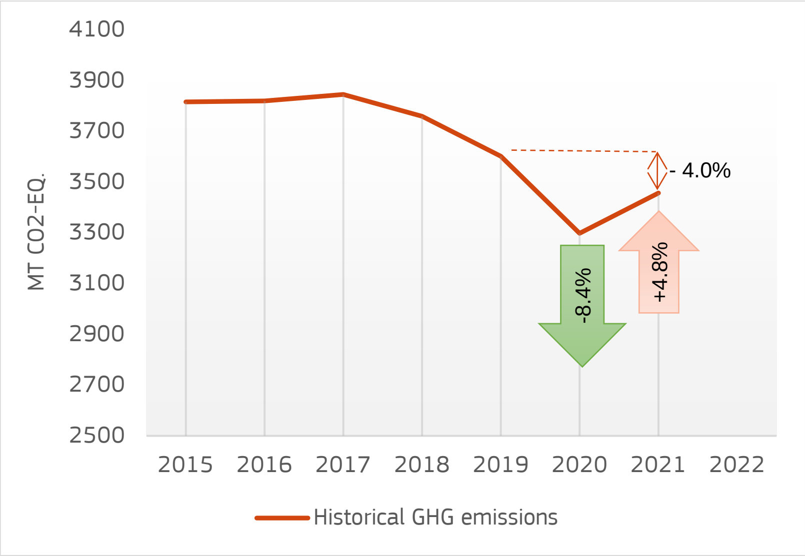


Figure 1 - EU-27 domestic GHG emissions (including LULUCF)[11]

Overall, **EU net domestic emissions in 2021**, including LULUCF, were **30% lower than in 1990 levels**, broadly consistent with the trajectory to achieve the EU 55% reduction target by 2030. However, the speed of reduction needs to increase significantly.

Specific objective 1 - MITIGATION: Climate neutrality to be achieved by 2050 through a well-functioning EU carbon market and a fair regulatory framework for the EU and its Member States to reduce emissions

Legislative package to reduce net greenhouse gas emissions by at least 55% by 2030

The European Climate Law lays down a binding EU target to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels and to achieve climate neutrality at the latest by 2050. Throughout the year 2022, DG Climate Action facilitated **agreement between the co-legislators on a package of proposals** to adjust policies so they can meet the EU's updated climate

@European Commission 2021

(11) Source : European Commission, based on European Environment Agency's 2022 GHG Inventory and proxy for 2021

objectives. On behalf of the Commission, DG Climate Action explained and defended the proposals in relevant meetings in the Parliament and Council, provided expert technical advice and supported the Executive Vice President during the interinstitutional negotiations.

The political agreements reached between the Council and Parliament will **strengthen the EU Emissions Trading System** (ETS), **apply emissions trading to new sectors** for effective economy-wide climate action, and **establish a Social Climate Fund** to help ensuring that the transition leaves no-one behind. More precisely, it will deliver on the EU's climate targets by:

- **Increasing the ambition** of the Emissions Trading System (ETS) to 62% emissions reductions by 2030 compared to 2005 levels;
- Extending carbon pricing under the existing ETS to **maritime transport**;
- Introducing a new Emissions Trading System for the **buildings, road transport sectors** and fuel combustion in industry not covered by the existing ETS, starting in 2027;
- Increasing the aviation sector's contribution to emission reductions through a strengthening of **EU ETS for aviation**, and implementing the global market-based measure CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation);
- Establishing a **Social Climate Fund** to provide support to vulnerable households, micro-enterprises and transport users and ensure that no-one is left behind.

Following the political agreement, the **Executive Vice-President** of the European Commission, Frans Timmermans, said: "*A **stronger Emissions Trading System** will help us drive investment into decarbonisation and reduce emissions further and faster, in line with our climate targets. With the new **Social Climate Fund**, the EU will ensure that our green transition is done in a way that protects our most vulnerable and helps them be part of the transition. At the end of a challenging year, this is much-needed positive news; in the face of strong headwinds, we continue delivering on the European Green Deal for a sustainable future.*"

In addition, political agreements were also reached between co-legislators to:

- Reduce emissions in domestic transport, buildings, agriculture, waste and small industrial installations by 40% by 2030 compared to 2005 levels under the revised **Effort Sharing Regulation**;
- Introduce an EU target for **net carbon removals by natural sinks** of 310 million tonnes of CO2 equivalent by 2030 and setting ambitious and fair targets for each Member State to reverse the decreasing trend of the EU's carbon sink;
- Require that all **new cars and vans** sold in the EU from 1 January 2035 need to be zero-emission vehicles.

The package contributes to delivering the European Green Deal and accelerating efforts on the **green energy transition** in the EU, in line with the **RePowerEU objective** of **reducing EU dependency on fossil fuels**. Those political agreements now require formal adoption by the Parliament and the Council. Once this process is completed, the new legislation will be published in the Official Journal of the Union and will enter into force.

DG Climate Action also contributed in 2022 to negotiations between co-legislators on **legislative initiatives led by other Commission services**, such as the proposal for a recast Energy Efficiency Directive, the revision of the Renewable Energy Directive, the proposal for a Carbon Border Adjustment Mechanism, the ReFuelEU Aviation and FuelEU Maritime initiatives, the proposal for an Alternative Fuels Infrastructure Regulation and the proposal for reinforcing the Recovery and Resilience Facility in the framework of the REPowerEU plan.

The **European Scientific Advisory Board on Climate Change** was appointed in 2022, to provide independent scientific advice on EU measures and climate targets with its Secretariat hosted in the European Environment Agency. The Commission also updated its **better regulation** instruments to ensure it assesses whether draft measures are consistent with climate-neutrality and progress on adaptation, as set out in the **Climate Law**.

GHG emissions reduction under the EU ETS

In 2021, greenhouse gas emissions from stationary installations covered by the EU Emissions Trading System (EU ETS) increased by 6.6% compared to 2020, reflecting both the economic recovery from COVID-19 and the developing energy crisis. However, 2021 emissions remained on a downward trend compared with 2019 pre-pandemic emissions. By 2021, the **EU ETS had driven emissions from these installations down by 34.6%** against 2005 levels.

In 2021, EU ETS emissions from stationary installations were **34.6% lower** than in 2005.

EU ETS emissions from the **power sector** increased by 8.4% in 2021, mainly driven by a switch from natural gas to coal linked to the rise in gas prices and higher demand for electricity due to the economic recovery from COVID-19. However, overall power sector emissions in 2021 were still 8.1% below 2019 levels, with very similar demand for electricity in these two years. Following a more than 60% drop in 2020, EU ETS **aviation emissions** rebounded in 2021 by 30% but remained 50% lower than in 2019.

In 2021, the **carbon price continued to increase.** High gas prices, higher economic activity following COVID-19 and anticipation of the increased 2030 climate ambition as well as related policy reforms are estimated to have contributed to this. This prompted some stakeholders to question whether there has been excessive speculation in the EU ETS.

In March 2022, the European Securities and Markets Authority concluded that the EU carbon market was functioning well and dismissed these concerns[12].

The political agreement on a **revised Emission Trading System (EU ETS)** increases the ambition of the existing system, extends carbon pricing to **maritime transport**, and introduces a **new, separate ETS for the buildings and road transport sector** and fuel combustion in industry not covered by the existing ETS. It also strengthens the ETS in relation to aviation.

Co-legislators agreed to increase the overall ambition of emissions reductions by 2030 in the sectors covered by the EU ETS to **62% compared to 2005 levels**. This represents a substantial increase of 19 percentage points compared to the 43% reduction under the existing legislation.

GHG emissions reduction under the Effort Sharing Regulation

Emissions that are not covered by the EU ETS, such as those in road transport, buildings, agriculture and waste, **increased by 3.5% between 2020 and 2021** after a pronounced fall in 2020 emissions due to the pandemic. The increase was most pronounced for transport (with an increase in emissions of more than 7% compared to 2020), followed by emissions from buildings (+3.1%). The agriculture sector saw a slight decrease in emissions in 2021 (- 0.3%) compared to 2020.

In aggregate for the EU-27, **current national policies would reduce emissions by 22%** by 2030 compared to 2005, well below the current 29% overall effort sharing emissions reduction target. If Member States implement all additional policies they have reported, the EU would only just meet the 29% reduction target under the existing regulation.

The political agreement on a **revised Effort Sharing Regulation** foresees a **40% emissions reduction target by 2030** compared to 2005 levels. This highlights the strong, imminent need for Member States to plan and implement additional climate action in effort sharing sectors in their updated integrated national energy and climate plans.

([12]) COM (2022) 516

Land use, land use change and forestry

Carbon dioxide can be removed from the atmosphere and accumulated in vegetation and soils (by the land use, land use change and forestry – **LULUCF** – sector), but these removals decreased between 2013-2020, and are now nearly a third **lower than 1990 levels**. The main reason the EU's carbon sinks have shrunk over that period is higher demand for wood, an increasing share of forests reaching harvest maturity and an increase in natural disturbances such as storms and infestations.

The political agreement on the **revision of the LULUCF Regulation** introduces an EU target for net carbon removals by natural sinks of **-310 Mt of CO2 equivalent by 2030**. This highlights the need for additional actions to reverse the trend of a declining carbon sink.

GHG emissions in the road transport sector

Thanks to stricter EU fleet-wide CO2 targets that have applied since 2020, CO2 emissions of new cars and vans registered in the EU have been on a steep downward trend. Average **emissions from new cars** decreased by 12%, from 130.3 g CO2/km WLTP[13] in 2020 to 114.7 g CO2/km WLTP in 2021 according to the 2021 provisional monitoring data. The average **emissions for vans** also decreased from 200.3 g CO2/km WLTP in 2020 to 193.8 g CO2/km WLTP in 2021.

The share of **battery electric cars** has increased spectacularly to 10% of newly registered cars in the EU in 2021, up from 6% in 2020 and 2% in 2019.

In order to reach net zero emissions by 2050, the political agreement reached by co-legislators in 2022 on the revised **cars and vans Regulation** foresees a reduction of emissions from new **cars and vans** sold in the EU **by 55% and 50% respectively from 2030**, and by **100% from 2035**.

Heavy-duty vehicles (HDV), such as lorries, heavy vans and buses, generate more than a quarter of all CO2 emissions from road transport. Existing legislation requires the average CO2 emissions of a manufacturer's fleet of new heavy lorries to be reduced by 15% by 2025 and 30% by 2030 from 2019 levels. In 2022, DG Climate Action started to prepare the **review of the CO2 emission standards for heavy-duty vehicles (HDV)**. As part of the review, the DG prepared a comprehensive impact assessment based on the latest and best available knowledge and consulted a broad range of stakeholders. It assessed the options to reduce CO2 emissions from HDV cost-effectively in order to contribute to the

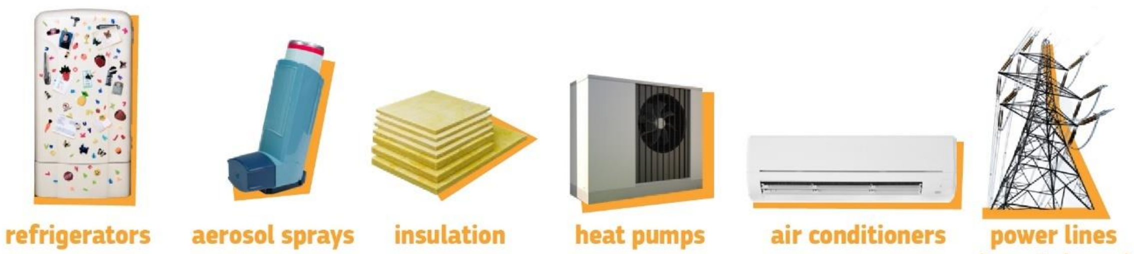
(13) Worldwide Harmonised Light Vehicle Test Procedure

stepped up 2030 and 2050 climate objectives. It also aimed at providing benefits for European transport operators and users from a wider deployment of more energy and efficient vehicles and strengthening the technological and innovation leadership industry in the EU by channelling investments into zero-emission technologies.

The Fuel Quality Directive required Member States to reduce the life-cycle **GHG emission intensity of fuels** by 6% by 2020 compared to 2010 levels. The average GHG intensity of fuels supplied in 2020 was 5.5% lower than in 2010, yet the progress varies greatly across Member States.

Ozone and F-Gas Regulation

Fluorinated gases ('F-gases') and **Ozone-depleting substances** (ODS) are highly potent, human-made greenhouse gases that contribute to global warming when released into the atmosphere, often several thousand times stronger than carbon dioxide (CO2). ODS damage the ozone layer that protects the Earth against dangerous ultraviolet radiation from the sun. Both types of substance groups have or used to have practical applications in everyday life, for example in refrigeration, air conditioning, insulation, fire protection, power lines and as aerosol propellants.



Two EU Regulations have already limited the use and emissions of F-gases and Ozone-depleting substances significantly. After 2014, a decade-long trend of rising emissions of F-gases was reversed thanks to the **F-gas Regulation**. The use and production of **Ozone-depleting substances** (ODS) in the EU has fallen by 99% over past decades, as part of global action to protect the ozone layer under the Montreal Protocol.

To **reduce emissions even further** and provide incentives to **use climate-friendly alternatives** DG Climate Action prepared two proposals which were adopted in 2022. The F-gas proposal will contribute to reducing emissions by at least 55% by 2030 and making Europe climate-neutral by 2050. Both proposals together could bring about a total reduction in the EU's greenhouse gas emissions (GHG) of 490 Mt (CO2 equivalent) by 2050. For comparison, this is slightly higher than the total annual greenhouse gas emissions of France in 2019. The review of the Ozone Regulation also increased the efficiency of the existing measures, leading to some simplification. Burden reduction is expected through measures such as the streamlining of trade via trade licences as well as quota requirements and the removal of obligatory laboratory registration.

Carbon removal certification

Carbon removals from forests, agricultural practices or engineered solutions will play a crucial role in achieving climate neutrality by 2050 as they will balance emissions from agriculture, aviation or specific industries that are the most difficult to eliminate.

In 2022, DG Climate Action prepared an impact assessment and based on its results proposed the first **EU-wide voluntary framework to reliably certify high-quality carbon removals**. This certification framework aims to boost innovative carbon removal technologies and sustainable carbon farming solutions, while fighting greenwashing. It sets out a voluntary EU-wide framework to certify carbon removals generated in Europe, setting out criteria to define high-quality carbon removals and the process to monitor, report and verify the authenticity of these removals.

Specific objective 2 – MONITORING AND ENFORCEMENT: EU climate legislation is monitored through the Energy Union Governance, is properly applied and enforced and is mainstreamed in the European Semester process

In May 2022, the Commission proposed its **REPowerEU Plan** in response to the energy market disruption caused by **Russia's invasion of Ukraine**. The plan estimates that EUR 210 billion of additional investments in energy efficiency, energy infrastructure and renewable energy are required for the EU to reduce its fossil fuel use and cut Russian gas imports by two-thirds between now and 2027. It made some targeted amendments to the RRF Regulation to integrate dedicated **REPowerEU chapters in Member States' existing recovery and resilience plans (RRPs)**. It also proposes measures to bring down emissions and energy costs for consumers and industry, including increasing the 2030 target for renewables to 45% and increase the energy efficiency target to 13%.

Thanks to agreement reached by the co-legislators at the end of December 2022, additional **EUR 20 billion in grants** will be available from the **sale of EU ETS allowances** to increase financing under the RRF. Member States will also be able to dedicate grands of the Brexit Adjustment Reserve (EUR 5.4 billion) and use remaining RRF loans (EUR 225 billion) to support the RepowerEU objectives.

In 2022, DG Climate Action further promoted and facilitated the development and implementation of robust **climate policies in Member States**, in line with EU objectives. The DG, together with DG Energy, prepared an implementing act[14] laying down the provisions of how Member States should report on the implementation of their **National Energy and Climate Plans (NECPs)**. Furthermore, the two DGs **prepared guidance** to Member States for the update of their 2021-2030 NECPs, to be submitted to the Commission by 30 June 2023. The update will focus on the need for more ambitious climate action, by embedding the new and revised energy and climate targets included in the fit for 55 package and the REPowerEU proposals, and a faster clean energy transition and enhanced energy security.

DG Climate Action continued to work on ensuring the reflection of climate priorities in the **European semester process** and in the roll out of the **recovery and resilience plans,** building on the Union's climate and energy objectives and on the challenges and recommendations identified in the **National Energy and Climate Plans (NECPs)**. To accelerate the green transition, each Member State must dedicate at least 37% of the expenditures of its recovery and resilience plan (RRP) to measures contributing to climate objectives. The reforms and investments proposed by Member States have exceeded these targets: for the RRF as a whole, the **estimated climate expenditure amounts to about 40%.**

Specific objective 3 - FINANCE: Climate-related spending mainstreamed in the EU budget and in private funds to finance the green and just transition and invest in particular in low carbon and other climate innovations

Revenues from the auctioning of EU ETS allowances

ETS auction revenue amounted in 2022 to some **EUR 30 billion**. On average, in 2021, Member States reported having spent 76% of the revenues on climate- and energy-related projects (in line with an average of 75% over the 2013-2020 period). Member States also reported having used auction revenues to fund measures cushioning the impacts of the energy crisis e.g. tax breaks and social support.

In the political agreement on the **revision of the EU ETS Directive,** co-legislators agreed that Member States must spend **all auction revenues** from both the existing ETS and the new ETS for the buildings, road transport and other fuels on explicitly defined climate, energy and social purposes.

(14) Commission Implementing Regulation 2022/2299 under the Governance Regulation of the Energy Union

Innovation Fund

The **Innovation Fund** is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies. It is financed by auctioning 450 million allowances from the EU ETS over this decade, representing some EUR 38 billion[15]. Since its start in 2020, about 3 billion have been invested in 52 projects[16].

The EU invested **€1.8 billion in 16 large-scale innovative clean-tech projects** under the second large-scale call for projects (i.e. projects with a capital cost above €7.5 million). The projects were evaluated in 2022 by independent experts based on their ability to reduce greenhouse gas emissions compared to traditional technologies and to innovate beyond the state-of-the-art, while being sufficiently mature for deployment. Other selection criteria included the projects' potential for scalability and cost effectiveness. They cover ground-breaking technologies from green hydrogen and synthetic sustainable aviation fuel, to methanol production from renewable hydrogen. They are expected to avoid about 125 million tonnes of CO2 emissions in the first 10 years of operation.

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DG Climate Action, together with CINEA, launched in November 2022 the **third call** for large-scale projects. Its **budget has doubled to €3 billion** thanks to increased revenue from the auctioning of EU Emissions Trading System (ETS) allowances. This call will provide additional support towards ending the EU's dependence on Russian fossil fuels with a special focus on the priorities of the REPowerEU plan. The grants are expected to be awarded by the end of 2023.

In addition, end of 2022 the EU will provide grant funding of **€62 million to 17 small-scale**[17] innovative clean-tech projects, bringing breakthrough technologies to the market in energy-intensive industries, renewable energy, hydrogen, and energy storage.

([15]) Estimate based on ETS price of EUR 75 / tCO2.

([16]) [Innovation Fund - Portfolio of signed projects]() and [Innovation Fund projects (europa.eu)](). In addition, further information is presented in the related programme statement.

([17]) i.e. projects with a capital expenditure between €2.5 and 7.5 million

In the **political deal** reached on the strengthened EU Emissions Trading System in December 2022, co-legislators agreed that the **Innovation Fund will be increased** from the current 450 to an estimation of 530 million allowances and particular attention will be paid to the maritime and the Carbon Border Adjustment Mechanism (CBAM) sectors.

Modernisation Fund

The **Modernisation Fund,** which is also funded from the EU ETS, aims to support ten EU countries with lower-income in their transition to climate neutrality by modernising their power sector and wider energy systems, boosting energy efficiency, and facilitating a just transition. Until 2030, over 640 million allowances, representing some EUR 51 billion, will be auctioned to support these Member States. In its second year of operation, the Modernisation Fund has disbursed a total of **€4.11 billion** in support of 61 projects in **eight beneficiary countries** (while in 2021, nearly EUR 900 million was invested in 26 projects).

In the **political deal** reached on the strengthened EU Emissions Trading System in December 2022, co-legislators agreed that **size of the Modernisation Fund will be increased**, providing financial assistance to **three additional Member States** with their transition (Portugal, Greece and Slovenia).

Mainstreaming climate into the EU budget

The EU budget makes a crucial contribution towards the fight against climate change. Over the course of the 2014-2020 multiannual financial framework, the EU delivered on its ambition of spending 20% of available funds on climate-related measures. In the period 2021-2027, the EU budget and the NextGenerationEU amounts to €2.018 trillion in current prices (€1.8 trillion in 2018 prices). **For the period 2021-2027**, the EU budget – including NGEU – is projected to **deliver EUR 557 billion or 31% of climate spending**. Preliminary data[18] shows that 34.8% of the 2022 budget was dedicated to climate action.

In 2022, DG CLIMA contributed to incentivizing effective climate action in the programming of the European structural and investment funds, including the programming under the Just Transition Fund.

([18]) Estimation based on commitment appropriations.

In the context of the 2021-2027 multiannual financial framework, DG Climate Action contributed to the Commission's efforts to improve its approach to climate mainstreaming leading to:

- An overall target of at least 30% for climate-relevant expenditure;
- A 'climate adjustment mechanism', allowing for action to be taken in case expenditure levels are likely to be insufficient to reach (programme-specific) climate spending targets;
- The development of an effective climate tracking methodology to track the level of expenditure;
- The application of the 'do no harm' principle to ensure that money spent under the budget does not hamper the EU in achieving its climate and environmental goal.

In order to help the Commission to improve the future reporting on climate spending, the European Court of Auditors (ECA) assessed the Commission's methodology to report climate spending (Special report n°2022/09). To reply to one of the recommendations from the ECA, DG BUDG, together with DG CLIMA have issued in June 2022 **guidelines** describing in details the **climate tracking methodology to ensure consistency** across programmes (SWD (2022) 225 final).

LIFE Programme

The LIFE Programme is another EU's funding instrument for the environment and climate action. In 2021, more than EUR 290 million were awarded to 132 projects, including projects in areas like climate neutral farming, peatland restoration, heat recovery in iron and steel manufacturing and adaptation of forests and infrastructures to climate[19]. There were **around EUR 755 million** for climate and environment projects in 2022, including for clean energy transition. In June, Ukraine joined the LIFE programme so that it can benefit from LIFE support to help restore its environment after the destruction brought from the Russian invasion.

Horizon Europe

Research and innovation enable the green transition by identifying, testing and demonstrating solutions, developing breakthrough innovations and knowledge for policies based on latest scientific evidence. Throughout its seven-year duration, the Horizon Europe programme will devote **at least 35% of its EUR 95.5 billion budget to research and innovation** to support a just transition, empowering citizens to actively participate in the green transition. New partnerships are developing, scaling up technologies necessary for

([19]) Further information is provided in the related programme statement.

climate neutrality. Horizon Europe invested EUR 7 billion in climate action by the end of 2022[20].

Sustainable finance

In the field of **sustainable finance,** the Commission has further **operationalised the Taxonomy in 2022**, notably by providing clarifications for corporates that will start reporting on the alignment of their activities, and by establishing a Taxonomy Complementary Climate Delegated Act on climate change mitigation and adaptation covering certain gas and nuclear activities. DG CLIMA contributed actively to the adoption of the proposal for the **Corporate Sustainability Due Diligence Directive** requiring companies to acknowledge their climate risks and impacts, and the finalisation of the **Corporate Sustainability Reporting Directive** that requires large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment. DG CLIMA also continued to work towards an ambitious implementation of the other actions under the Sustainable Finance Strategy.

Specific Objective 4 – COMMUNICATION AND DIALOGUE: A voice and a space is given to citizens, cities, regions and all stakeholders to design and implement climate actions, share information, launch grassroot activities and showcase solutions that others can follow through the Climate Pact and the EU Covenant of Mayors

The recent Eurobarometer on the **Future of Europe**[21], highlighting the views of young Europeans on the challenges facing the European Union, showed an overwhelming support for the **climate objectives** of the European Green Deal. Almost nine in ten Europeans (87%) agree that tackling climate change can help improve their own health and well-being. Almost every second European (49%) sees **climate change** and environmental issues **as the main global challenge for the future of the EU** and 80% of respondents agree on the importance of making Europe the world's first **climate-neutral continent** by 2050.

In 2022, DG Climate Action continued to promote active public participation by implementing the pilot phase of the **European Climate Pact**[22]. The Pact gave the opportunity to people and

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(n the related programme statement.

([21]) Special Eurobarometer 517 Report

([22]) European Climate Pact

organisations to share information, debate and act on the climate crisis. By showcasing initiatives, it inspired others to act and cooperate on climate action. By the end of 2022, **more than 800 climate ambassadors**, including 43% women, from all walks of life, from scouts to Mayors, are driving change in their communities. **Individual pledges**, collected in partnership with 'Count Us In'[23] have so far led to more than 100.000 Europeans taking 4.37 million CO2 reducing 'steps".

Specific objective 5 – ADAPTATION AND RESILIENCE: EU society (people, nature and welfare) is increasingly climate-resilient, adapted and equipped, protected and insured against the adverse impacts of climate change

The Intergovernmental Panel on Climate Change (IPCC) published in February 2022 its report on the **impacts, adaptation and vulnerabilities** related to climate change[24]. It shows that climate change induced by humanity is already impacting nature and people more intensely, more frequently and over a wider geographical area than previously thought. Moreover, the report finds that the effects of climate change will increase inexorably over the next two decades – but some risks and impacts can be lessened by taking measures to adapt.

> Executive Vice-President Frans Timmermans said: The **severe droughts, heatwaves and wildfires** we saw this summer **cost billions in the EU alone**. As the vast **majority is not insured**, the financial burden falls directly on families and businesses or needs to be covered by public finances. The insurance sector has a pivotal role to play in boosting our society's ability to weather these storms. With proper climate risk management, it can increase risk awareness and promote adaptation measures. This helps to prevent the worst impacts and makes us more resilient when disasters do strike (...).

In 2022, DG Climate Action made further progress with the implementation of the 14 actions foreseen under the **EU Climate Adaptation Strategy**, which aims at enhancing the adaptive capacity, strengthening resilience and reducing the vulnerability to climate change of the EU and its Member States.

([23]) 'Count Us In' is a community of people and organisations taking practical steps to significantly reduce their carbon pollution and challenge leaders to act boldly to deliver global systems change. It brings together sport, business, faith, youth and civil society.

([24]) IPCC Sixth Assessment Report, Impacts, Adaptation and Vulnerability, February 2022

Extreme weather events like storms, heatwaves and flooding accounted for economic losses of around half a trillion euros over the past 40 years, with only 22.4% of these losses insured, and led to between 85 000 and 145 000 human fatalities across Europe[25].

In 2022, DG Climate Action together with DG Financial Stability, Financial services and Capital Markets Union (DG FISMA), launched the Climate Resilience Dialogue. The first meeting of the dialogue brought together insurers, reinsurers, the corporate sector, consumers, public authorities and other stakeholders to exchange views and best practices to address the losses incurred from climate-related disasters. The dialogue will explore how insurance and other risk mitigation actions can contribute to climate resilience, from increasing climate risk insurance penetration, to incentives and investment in good adaptation solutions. It will meet several times up until mid-2024 to identify good practices and deliver voluntary commitments.

The **Mission on Adaptation** to Climate Change has made good progress in fostering a step-change in adaptation action at sub-national level. 215 regions and local authorities from 24 Member States have signed the Mission Charter declaring their willingness to cooperate, mobilise resources and develop activities to reach their adaptation goals. The Mission has launched 17 calls amounting to EUR 360 million to fund research and innovation actions to help rebuild areas impacted by extreme weather events, restore floodplains, develop farming solutions more resistant to droughts, explore vertical farming and prototype insurance approaches, or design a 'perfectly adapted' city ready to withstand storms and heatwaves.

Specific objective 6 - INTERNATIONAL NEGOTIATIONS: The level of ambition of other greenhouse gas emitters is increased thanks to the EU's leading role in climate diplomacy in line with the Paris Agreement and SDG 13

In 2022, DG Climate Action organised and participated in numerous productive **international exchanges** with a view to building international support for the global transition to climate-neutral, resilient and sustainable economies. This included the 6th Ministerial meetings on Climate Action (MoCA) convened by the EU, China and Canada, the Petersberg Climate Dialogue, the G20 Bali summit, and the UN Climate change conference in Sharm el-Sheikh (COP27).

In particular, DG Climate Action **lead the EU international negotiations** in the context of the **27th UN Climate Change Conference of the Parties (COP27)** which took place in Sharm el-Sheikh, Egypt, in November 2022. After a difficult week of negotiations, a strong and united European effort helped secure a hard-fought deal to keep the targets of the Paris Agreement alive. The EU's bridge-building also helped to put in place balanced **new**

(25) EEA briefing 'Economic losses and fatalities from weather- and climate-related events in Europe', February 2022

funding arrangements, with an expanded donor base, to help vulnerable communities to face **loss and damage** caused by climate change. Executive Vice-President Timmermans also announced a new Team Europe Initiative[26] to **provide over €1 billion of financing for helping Africa to adapt** to climate change.

Throughout the conference, DG Climate Action **hosted over 125 side events**[27] at the EU Pavilion in Sharm el-Sheikh and online on issues such as energy security and the green transition, sustainable finance, biodiversity protection and nature restoration, food and water security, and research and innovation. These included a passionate dialogue between Executive Vice-President Timmermans and youth representatives[28] from around the world.

In line with the European Green Deal communication, DG Climate Action has strengthened its **'green deal diplomacy' efforts** by stepping up its engagement activities on climate change with third countries and regions. To that end, DG Climate Action has engaged in **High Level Dialogues** on climate with **China, Colombia and Turkey**. DG Climate Action also participates in the various **political and trade dialogues** at bilateral and (sub-) regional level, such as Joint Committee meetings, Association, Cooperation and Partnership Council and Committee Meetings and Trade and Sustainable Development sub-committee meetings. Furthermore, DG Climate Action ensured that Green Deal priorities are mainstreamed into **EU international partnerships**, notably by having contributed to the programming of development cooperation activities. Through the EU Climate Dialogues project, DG Climate Action supported activities in **G20 countries** and additional partners that are regional lighthouses to support enhanced climate action.

During COP27 the EU also welcomed and endorsed **South Africa**'s Just Energy Transition Investment Plan, and at the G20 in Bali signed a new Just Energy Transition Partnership (JETP) with **Indonesia**. The EU together with international partners will back Indonesia in its endeavours to **develop an investment plan** that will put them in the right path to achieve significant new climate targets and policies to reduce greenhouse gas emissions and support those impacted communities along the process. Overall, the aim of this long-term partnership with Indonesia is to mobilise approximatively €19.4 billion in public and private financing over a three-to-five-year period. End of 2022, **Viet Nam** was the third country to launch a Just Energy Transition Partnership (JETP). It will mobilise an initial $15.5 billion of public and private finance over the next three to five years to support Viet Nam's green transition.

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In October 2022, the European Union and the **Kingdom of Morocco** launched the first **Green Partnership** on energy, climate and the environment ahead of COP 27. It aims to advance the external dimension of the European Green Deal

(… on Climate Change Adaptation and Resilience in Africa

(27) EU side events COP27 | COP27 EU Side Events

(28) Dialogue between the EVP and youth representatives

through action on the ground. Work will be developed across three main thematic axes: climate and energy; the environment including marine and maritime issues; and the green economy. It is expected to become a model for similar partnerships on the African continent, where Morocco already leads in terms of environmental and climate ambitions.

In December 2022, the Contracting Parties of the **Energy Community** adopted ambitious **energy and climate targets for 2030**, which will put them on the right path to achieve climate neutrality by 2050. As most of the Contracting Parties are candidate countries, the implementation of the targets will also help the countries advance in their accession process. The adoption of the targets was the culmination of several years of preparation and negotiations by DG Climate Action and DG Energy.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

2.1. Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports / documentation have been considered:

- the annual reports and declarations by AOD and AOSDs, in which all financial transactions are verified;
- the reports from Authorising Officers in other departments managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management, along with the results of the department's supervisory controls from the European Investment Bank (EIB).
- the contribution by the Director(s) in charge of Risk Management and Internal Control, including the results of internal control monitoring at department level;
- the register of recorded exceptions, non-compliance events and any cases of ‘confirmation of instructions’ (Art 92.3 FR);
- the report of the independent external audit on Innovation Fund annual accounts.
- the EEX group[29] Emission Spot Primary Market Auction report on the revenue accruing to the Innovation Fund from the EU Emission Trading System (EU ETS);
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA)
- Commission supervisory controls on the activities of European Climate, Infrastructure and Environment Executive Agency (CINEA) assured by the membership in the steering committee of this body,
- the reports on the assessment of local systems;
- the annual review report of the DG Climate Action Advisory Committee on public procurement (CPAC report);
- periodic review and reporting of DG Climate Action risk registry embedded in the meeting of senior management on resources;
- periodic report and dashboards to management on resource issues.

([29]) https://www.eex-group.com/en/

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG Climate Action.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO) [30]. The DG Climate Action's assurance building and materiality criteria are outlined in annual activity report annex 5. The annual activity report annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Overview of DG Climate Action's budget

DG Climate Action activities are spread over five main areas:

- **LIFE programme** for the Environment and Climate Action. This is the largest segment in terms of budget implementation of which over 90% relate to **procurement contracts**. In 2022 DG Climate Action concluded two **service level agreements,** one with the European Environment Agency (EEA) and another with the European Maritime Safety Agency (EMSA). The **administrative arrangements** with the Joint Research Centre (JRC) were implemented as well. The LIFE programme grant implementation is delegated to CINEA via the co-delegation type II.
- **External Actions** expenditure under the 'Neighbourhood, Development and International Cooperation Instrument' (NDICI), and the instrument for Pre-accession Assistance instrument (IPA). The former is the largest part and concerns **grants, procurement** under direct management and **contribution agreements** under indirect management, which are managed by DG Climate Action under co-delegation by DG International Partnerships. It also includes **contributions to international conventions** – namely for the general UN framework, the Montreal Protocol, the Kyoto protocol, the United Nations Framework Convention on Climate Change (UNFCCC) international transaction log and the Vienna convention. The external

[30] 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

actions segment is the second biggest in terms of budget implementation.

- **Innovation Fund** which supports innovation in low-carbon technologies and processes under the ETS. The in-house budget implementation mostly consists of **contribution agreements** with the EIB. The programme grant management is implemented by CINEA via the co-delegation type II.
- Under **Horizon Europe, cluster 5 'Climate, energy and mobility'** DG Climate Action implements a small amount of appropriations under cross sub-delegation and co-delegation by DG Research and Innovation (DG RTD) for the mission on adaptation under this programme. Also in the area of implementation of the mission of adaptation to climate change one **service level agreement** was concluded with the EEA and an administrative arrangement with the JRC. Furthermore, DG Climate Action implements the part of its **staff budget** linked to the execution of this programme. This part of the budget is co-delegated type III to DG Human Resources and Security and the Office for the Administration and Payment of Individual Entitlements for the performance of the payments. The grant management is also performed by CINEA via the co-delegation type II from the lead parent DG RTD directly.
- **European Public Administration**, Heading 7 of the current 2021-2027MFF, consisting in **expenditure related to officials and external staff as well as to the meeting and conferences**. A large part of the budget is co-delegated type III to HR and PMO for the performance of the payments for instance for the **missions.** Via this segment DG Climate Action finances the administrative support in the "Climate Action" policy area. This is the smallest part of the expenditure.

Details on the budget implementation of DG Climate Action together with the detailed financial overview can be found in the following charts below and in Annex 3.

Figure 2: 2022 payments per action (in EUR million and %)

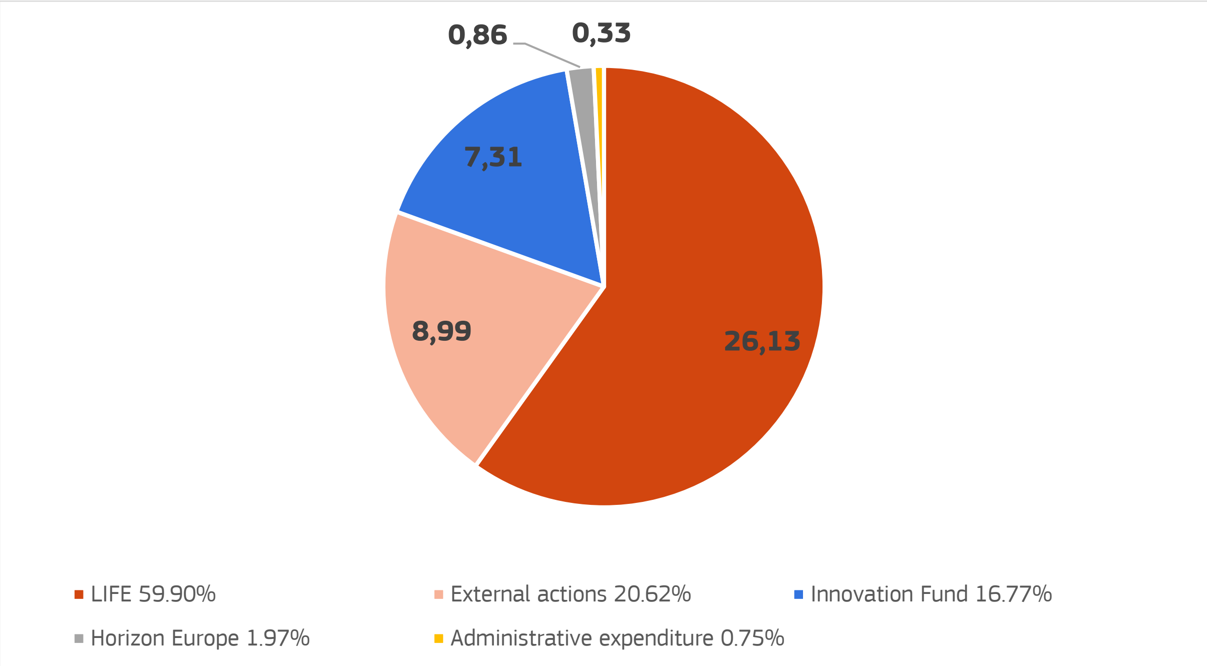
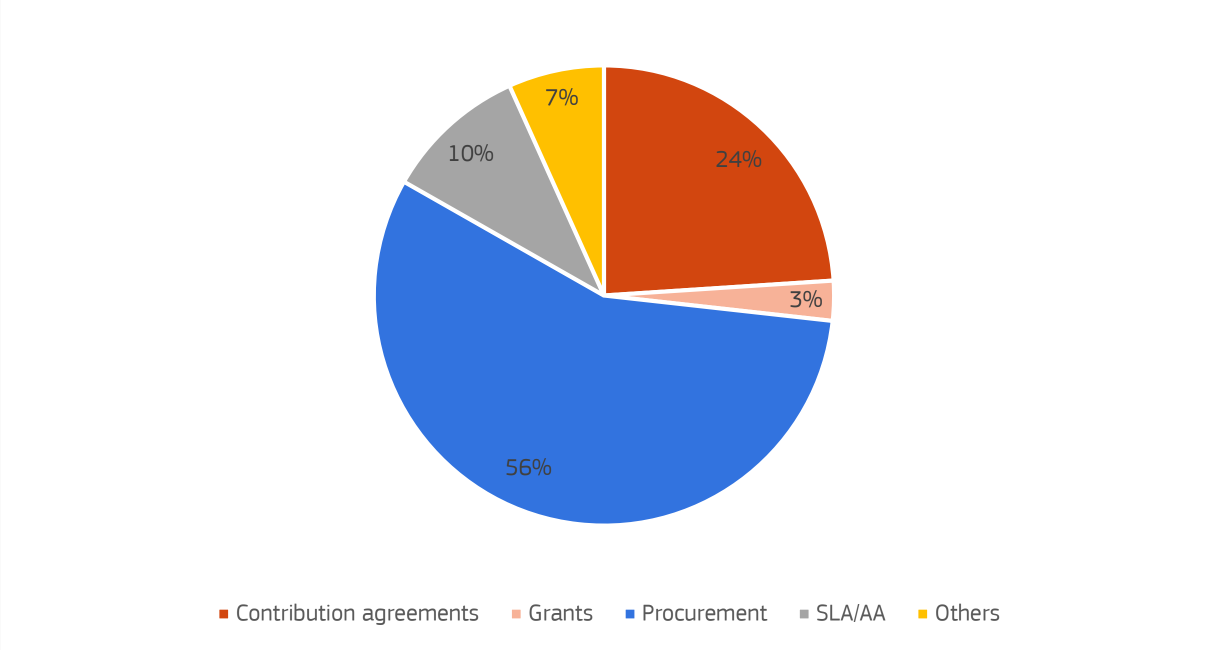


Figure 3: 2022 payments per relevant control systems (in %)



DG Climate Action, in collaboration with the EIB under indirect management, is responsible for the monetisation of the ETS allowances and the management of the assets of the Innovation Fund. In 2022, DG Climate Action **revenue** amounted to EUR 3 194 991 604,53.

In line with the 2018 Financial Regulation's new reporting requirement, DG Climate Action did not detect:

- Cases of "confirmation of instructions" (new FR art 92.3)
- Cases of financing not linked to costs (new FR art 125.3)
- Financial Framework Partnerships >4 years (new FR art 130.4)
- Cases of flat-rates >7% for indirect costs (new FR art 181.6)
- Cases of "Derogations from the principle of non-retroactivity [of grants] pursuant to Article 193 FR" (new Financial Regulation Article 193.2).

1. *Effectiveness of controls*

a) Legality and regularity of the transactions

DG Climate Action uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

DG Climate Action's portfolio consists of segments with a relatively low error rate, i.e. 0.5%.

Concerning financial management (mainly procurement), the AOD's assurance relies to a large extent on **the ex-ante verifications performed in 2022,** namely the mandatory controls of all commitments and payments in the financial circuit the advice by procurement experts in the financial unit, and the reviews performed by the Climate Procurement Advisory Committee **(CPAC).** These controls effectively reduce to an acceptable level the risk of significant errors remaining undetected.

The major share of DG Climate Action’s expenditure concerns procurement (which is not subject to any on the spot ex-post controls). In 2022 a relatively important portion of (in terms of value) procurement procedures were awarded based on a negotiated procedure legal base, as presented in annex 3. Two of these procedures are linked to the organisation of UNFCCC COP27 in Sharm el-Sheikh (Egypt) and one to the purchase of the repetitive services under the current contract supporting the Secretariat of the Climate Pact.

Another big share of DG Climate Action expenditure belongs to the contributions to pillar-assessed organisations along with service level agreements with decentralised agencies and administrative arrangements with the JRC. The grants managed by DG Climate Action are for the vast majority agreements awarded to public and identified beneficiaries.

Therefore, on the basis of the above, DG Climate Action considers that the estimated overall ‘risk at payment’ for 2022 expenditure is at EUR 174 559,35 representing 0,5% of the DG’s total relevant expenditure for 2022. This is the AOD’s best, conservative estimation of the amount of relevant expenditure during the year not being in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

On the basis of the above DG Climate Action considers that for all types of expenditure, taking into consideration the comprehensive ex-ante controls, there were no audits carried out in 2022, nor are there audits planned for the near future. As a result, the estimated future corrections are equal to zero.

Hence, the estimated overall risk at closure for the 2022 is at EUR 174 559,35.

This is, respectively due to the inherent risk profile of the activities as described above and the performance of the related control systems. DG Climate Action operates an effective mechanism for correcting errors, through ex-ante controls, resulting in preventive measures. DG Climate Action does not perform ex-post controls and corrective measures were not encoded in 2022.

Based on the above, DG Climate Action presents in the Table 1 an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year.

Table 1: Estimated risk at payment and at closure (amounts in EUR million)
The full detailed version of the table is provided in annex 9.

DG Climate Action	Payments made	Relevant expenditure	Estimated risk (error rate %) *at payment*		Estimated future corrections and deductions		Estimated risk (error rate %) *at closure*	
	m EUR	*m EUR*	*m EUR*	*%*	*m EUR*	*%*	*m EUR*	*%*
Procurement Contracts	24.53	24.77	0.12	0.50%	0.00	0.00%	0.12	0.50%
Contribution Agreements	10.55	5.18	0.03	0.50%	0.00	0.00%	0.03	0.50%
Service Level Agreement/Admin Arrangement	4.38	1.42	0.01	0.50%	0.00	0.00%	0.01	0.50%
Grants	1.22	0.60	0.00	0.50%	0.00	0.00%	0.00	0.50%
Others	2.94	2.94	0.01	0.50%	0.00	0.00%	0.01	0.50%
DG Climate Action total	**43.62 m EUR**	**34.91 m EUR**	**0.17 m EUR**	**0.50%**	**0.00 m EUR**	**0.00%**	**0.17 m EUR**	**0.50%**

The estimated overall risk at payment for 2022 expenditure is the AOD's best conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

For an overview at the Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

b) Fraud prevention, detection and correction

DG Climate Action has developed and implemented its own anti-fraud strategy since 2013, on the basis of the methodology provided by the European Anti-Fraud Office(OLAF). It was last updated in July 2021. In principle, it is updated every two years. Its implementation is being monitored and reported to the management on a regular basis. All necessary actions have been implemented in 2022.

The results achieved during the year due to the anti-fraud measures in place can be summarised as follows:

The ex-ante controls performed – did not identify any cases of fraud or potential fraud. The anti-fraud actions in different domains continue to be applied. In 2022 DG Climate Action organised in collaboration with OLAF an antifraud awareness raising session dedicated to all DG Climate Action staff. The recording from this event is part of the welcome package for newcomers. In addition, the risk analysis dedicated to EU ETS containing fraud aspects was conducted in 2022. The above actions among others (for instance: whistleblowing communication) contribute to the implementation of the 2019 Commission Anti-Fraud Strategy.

There was no significant weakness to be handled and there were no OLAF financial recommendations to be addressed. During 2022, no fraud case in the climate area was reported by either DG Climate Action or OLAF.

On the basis of the available information, DG Climate Action has reasonable assurance that the anti-fraud measures in place are effective.

c) Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)

DG Climate Action is responsible for safeguarding the accuracy, integrity and reliability of relevant market sensitive data managed by the system as the business owner and manager of the Union Registry.

As a result, DG Climate Action handles EU ETS sensitive information in documents on a daily basis. In order to ensure coherent protection of this sensitive non-classified (SNC) information, DG Climate Action developed its own handling instructions for sensitive data. The instructions include security markings specific to the DG, which were first adopted in 2014 by DG Human Resources and Security and carried over to its security notice revision in 2019[31].

Following this revision, DG Climate Action updated its internal policy for handling SNC documents, covering the use of the DG Climate Action specific and the new Commission-wide security markings. The document is frequently updated to reflect changes in technology, such as the recent adoption of cloud technologies or the onboarding of the Welcome domain. Furthermore, DG Climate Action organises regular training sessions for its staff and newcomers on this specific policy. Our directorate-general implements IT security measures and action plans to secure and protect data with the direct involvement of senior management. There is an internal advisory group at the Director General level to deal with the safeguarding of assets and with every other security matter.

No leaks/breaches of confidential data or violations of data integrity were reported in 2022.

As regards the delegation of the implementation of the Private Finance for Energy Efficiency (PF4EE) financial instrument and monetisation of the ETS allowances and the management of the revenues of the Innovation Fund[32] to the EIB ('indirect management'), DG Climate Action has received reasonable assurance from the EIB that in all material respects, the information set out in the financial statements is in accordance with the accounting standards, is complete and accurate, and that the EIB applies a professional

(31) (C(2019) 1904 on the Marking and handling of sensitive non-classified information).

(32) In 2022 DG Climate Action managed around EUR 3.7 billion EUR of non-current financial assets.

degree of care and diligence to the execution of the tasks entrusted to it in the delegation agreement.

It should be noted that taking into consideration the particularly unstable economic situation in 2022 in the EU, namely: high inflation, the war in Ukraine and the energy crisis, the EIB reported to DG Climate Action accounting loss[33] of assets of the Innovation Fund. The management of Innovation Fund assets is executed in the frame of the monetisation of the ETS allowances and the management of the revenues of the programme. Depending on the global economic evolution, this accounting loss may be reversed in the coming years.

According to the assessment done during the accounting closure, there was no impairment of intangible assets in DG Climate Action in 2022.

2. Efficiency of controls

The assessment by management is based on the results of key controls performed in 2022 notably ex-ante controls and controls during implementation. The financial circuits put in place in DG Climate Action are proportionate, based on a thorough risk assessment and reflect the financial environment, the organisational capacity and an analysis of the budget implementation.

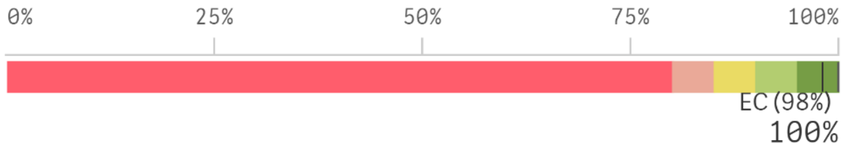
Key control indicators:

Output indicators (controls during project implementation)	2022	2021	2020
Procurement: number of procurement files reviewed by CPAC	6	5	6
Procurement: number of negative opinions by CPAC	0	0	0
Number of exceptions/non-compliance events registered (ICS 8)	2	1	3
Number of OLAF cases	0	0	0

In 2022 DG Climate Action had only one Ombudsman case. This concerns an access to documents request. The necessary input was provided, and the Ombudsman decision is expected in the course of 2023.

DG Climate Action's **Timely payments indicator** (i.e. payment accepted amount on time/ payment accepted amount in EUR), as presented below, shows that the vast majority of

([33]) For the full year, the portfolio generated an absolute return of negative 8.62%, compared to the return on the benchmark of negative 9.33%; the excess return for 2022 was positive 70.7bps. The results achieved follow the implementation of the agreed EIB Investment Strategy payments were made on time[34]. Specifically, 100% of payments were processed in due time. This value is better than the Commission score of 98%.

Timely Payments	CLIMA Score	EC Score
	**100%**	**98%**

In 2022, DG Climate Action signed only two grant agreements, one under external action and another under the cross sub-delegation implemented by DG European Civil Protection and Humanitarian Aid Operations. In both cases, the grants were awarded without a call for proposals, in line with the conditions set in the financing decision.

Therefore, in this particular case, the calculation of the time-to-inform and time-to-grant indicators has no significant meaning.

On the basis of the above DG Climate Action confirms the overall efficiency of controls in place.

3. Economy of controls

The principle of economy requires that the resources used by the institution in the pursuit of its activities will be made available in due time, in appropriate quantity and quality and at the best price (see annex 7 for details).

DG Climate Action's cost of control per relevant control systems in 2022 were as follows:

Procurement/Service Level Agreements/Administrative Arrangements and Others[35] – cost of controls

The overall cost of controls for procurement and mainly service level agreements amounts to EUR 1 008 585 (3.17% of funds managed, compared to 3.80% in year 2021).

Grants – cost of controls

([34]) As specified in annex 3, 99.19% of the payments were performed on time (in terms of number)

([35]) Mainly administrative expenditure and contribution to international conventions

The overall cost of controls for grants amounts to EUR 43 015 (3.52% of funds managed, compared to 4.36% in year 2021).

Indirect Management (cost of controls)

The overall cost of controls for indirect management amounts to EUR 237 473 (2.25 % of funds managed, compared to 1.25% in year 2021). The increase can be explained by the fact that the managed budget in this area slightly decreased in 2022, whereas the staff cost continued to increase.

Overall, during the reporting year, the controls carried out by DG Climate Action for the management of funds proves the economy of cost, as the cumulative cost of controls (EUR 1 289 073 for procurement, grants, indirect management and service level agreements) as a percentage of the budget managed (EUR 43 620 139,94) amounts to 2.29%, which is lower than in 2021 level of 3.08%.

All of the amounts above encompass the costs from both the financial and the operational units. For indirect management the cost above does not include the management fees charged by the EIB.

4. *Conclusion on the cost-effectiveness of controls*

Based on the most relevant key indicators and control results, DG Climate Action has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

2.1.2. Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

Internal Audit Service (IAS)

The status of IAS audits in DG Climate Action by the end of 2022 is as follows:

In December 2021, the IAS finalised the multi-DG audit on DG Environment (DG ENV) and DG Climate Action relations with decentralised agencies, in which; the adequacy of the working arrangements and the communication channels and governance between DG Climate Action and the EEA were assessed. There were two recommendations issued relating to: (i) coordination arrangements with the EEA (important), and (ii) the DG's oversight role in relation to the EEA resources (very important)[36]. An action plan was created in cooperation with DG ENV in order to address the recommendations by the end of 2022. The majority of the planned actions were implemented by the end of 2022, however the final elements will be closed in the first quarter of 2023.

The Internal Auditor of the Commission has stated in his conclusion on the state of internal control in DG Climate Action in 2022 that, based on the work done and the available information, the internal control systems in place for the audited processes are effective.

<u>European Court of Auditors (ECA)</u>

There were no critical or very important recommendations issued by ECA affecting the department's control systems in 2022.

In addition, in 2022, ECA performed a limited review of the regularity of information in the **DG Climate Action** 2021 AAR and noted in their own 2021 annual report that the **methodology for the calculation of the final risk at payment (or closure) was in line with the Commission guidelines**. These results confirm the accurate level of accounting quality and provide reasonable assurance on the reliability of the financial statements and accounts.

2.1.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG Climate Action uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

In 2022, DG Climate Action continued with its efforts to maintain the performance of internal control principles. The annual assessment of the state of internal control in DG Climate Action was carried out in accordance with the methodology established by DG Budget in the "Implementation Guide of the Internal Control framework of the Commission". In addition, an internal control survey was conducted. It was addressed to all managers of the DG. The results of the survey are used for the assessment of the state of Internal Control Framework of the DG.

The assessment of the new Internal Control Framework has not identified any major deficiencies apart from staffing. The imbalance between staffing and the permanent excessive workload in the DG remains a matter of concern and creates a tangible risk both for a timely and quality delivery on the Commission's ambitious objectives under the

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([36]) See Annex 7 for more details on the IAS recommendation regarding DG Climate Action's oversight role relating to the EEA resources.

European Green Deal and the obligations imposed on the EU by the European Climate Law to become climate neutral by 2050 and the health, well-being and work-life balance of its staff. However, despite this major concern, and while there is scope for some improvement in some areas, such as responsibility oversight and establishment of structure and authority, DG Climate Action is confident that its internal control system as a whole, covering both financial and non-financial activities, is effective. DG Climate Action has the necessary procedures, staff skills, commitment and experience to identify and manage the main operational, financial and legal/regulatory risks.

In addition, the Internal Auditor of the Commission has stated in his conclusion on the state of internal control in DG Climate Action in 2022 that, based on the work done and the available information, the internal control systems in place for the audited processes are effective.

DG Climate Action assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified relating to the revision of the list of sensitive posts, the further nomination of the women in the middle management posts and the relevance of the internal control survey among managers. The improvement and/or remedial measures envisaged are to be implemented in 2023.

2.1.4. Conclusions on the assurance

The information reported in Section 2.1 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of Climate Action.

DG Climate Action is satisfied with the close cooperation with the Executive Agency CINEA and with the internal control and risk management policy in place in the agency. Under the current MFF, the agency was entrusted with the implementation of not only the LIFE programme, but also the Innovation Fund and the Horizon Europe programme. The governance structure was updated accordingly and the DG now has a seat in the agency's steering committee as the parent DG. In addition, meetings are held regularly at the unit level. DG Climate Action supervises the work externalised through regular reports and ad hoc contacts with the agency. In addition, in collaboration with other parent DGs, DG Climate Action plays a direct role in the definition of the annual work programme of the agency and/or evaluation of the calls for proposals. Finally, the agency produces and disseminates reports as set out in the memorandum of understanding (MoU). The MoU in Horizon Europe was signed between CINEA and the parent DGs in the third quarter of 2022. In its own AAR, CINEA has given assurance on the use of the corresponding resources and on the output indicators.

The Director General can therefore provide reasonable assurance in his declaration with one reservation related to the security and protection of the registry/operating mechanism of the EU ETS against cyberattacks. Concerning this reservation, as the situation stands, the residual risks are still unacceptable from a business viewpoint. Since assurance cannot be reasonably provided that the current security measures could successfully prevent a future cyber-attack, the reservation cannot be lifted.

Recapitulative Table

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2022*	Evolution
	2021	2022		
Reputational, financial and legal grounds of the EU ETS	-	-	N/A	Maintained

In conclusion, based on the elements reported above, management has reasonable assurance that; overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning the security of the EU ETS IT system.

2.1.5. Declaration of Assurance and reservations

Declaration of Assurance

I, the undersigned,

Director-General of DG Climate Action

Declare that the information contained in this report gives a true and fair view (37)*.*

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the Commission.

However, the following reservations should be noted: Reservation on reputational/legal/financial grounds related to remaining significant security weakness identified in the Union Registry of the Emission Trading System (EU ETS). More details are provided in Annex 9.

Brussels, 31 March 2023

(e-signed)

Kurt VANDENBERGHE

(35) True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2. Modern and efficient administration – other aspects

2.2.1. Human resource management

2022 was an eventful year for DG Climate Action, **a year full of** adaptation to numerous **changes**. On 16 January, the DG underwent an in-depth reorganisation to adjust its structure and staff allocation to priorities creating two new directorates, five new units and an equivalent number of new management functions. DG Climate Action managed to fill all Directors' posts in October and is well on track to recruit all 'missing' Heads of Unit. This process creates a positive dynamic in the DG, freeing up junior and middle management functions.

The DG's move to central Brussels and migration to a new flexible working environment in the dynamic collaborative space by the summer was another major achievement that we are constantly optimising by organising workshops and launching staff surveys.

Finally, the DG was hit by the sudden and sad passing of Director-General Mauro Petriccione at the end of August. Clara de la Torre, the Deputy Director-General, stepped in as acting Director-General ensuring business continuity. She invested a lot in her new role, which was very much appreciated by staff and stakeholders, culminating in successful negotiations for the Fit for 55 package and an away day of the whole DG in December. Kurt Vandenberghe, the newly appointed Director general, took office on 16 January 2023.

In September 2022, senior management adopted the **local 2022-2024 Human Resources Strategy** of the DG, a key document in resources management for the next 3 years. The action plan supporting this strategy is equally based on five pillars: attract competent staff, including via outreach to the Permanent Representations for the underrepresented Members States; duly integrate newcomers through dedicated induction sessions; retain and develop talent, focusing especially on women, but equally on all high potentials individuals; reconnect post-COVID-19, nurturing the corporate spirit; adapt to further changes and take care of the wellbeing and resilience of staff.

In 2022, DG Climate Action endorsed its equality work plan showing its commitment to integrate an equality perspective in its policies and in its human resources strategy. The elements of gender balance and age distribution outlined in the strategy will be taken into consideration in the annual action plans to address equality issues in the DG. In terms of policy making. DG Climate Action ensured that in its proposal for a social climate fund, gender equality and equal opportunities will be considered by Member States when preparing and implementing their social

climate plans. The DG is also committed to integrate those considerations into the actions under the adaptation strategy, into the reporting obligations under the Governance Regulation and to promote gender equality in the international context, for example by implementing the Gender Action Plan under the UNFCCC.

In the field of equal opportunities, DG Climate Action continued to progress towards a balance in terms of **women in middle management (i.e. 36%)** and nominated one female head of unit in 2022. After the reorganisation, women held 71% (5 out of 7). of senior management level positions.

A staff survey, held every 2 years, took place in November 2021. The results showed a 74% **staff engagement** index for DG Climate Action of, which is slightly above the Commission average of 72%.

In the field of **internal communication**, 20 internal events were organised to spread and share the latest developments, in 2022, with an average of 71 participants for lunchtime conferences, and 189 participants for townhall meetings. Among other actions, the newcomers' session, and the annual training in the domain of the public procurement were proposed. During November's, **DG Climate Action away day**, we shared the first summary of the perception of the new working conditions. As for staff advocacy, colleagues gave 115 presentations at the Commission visitors' centre. DG Climate Action effectively uses the communication channels (local intranet, weekly internal newsletter, e-mails), which is proved by the remarkably high usage of the 'My CLIMA' intranet with a total of 94.800 visitors during the year (74.577 in 2021), and with 213.608 unique page views (144.074 in 2021) of which the revamped news section had 25.238 unique page views (9.878 in 2021). In 2022, work started on a communication strategy in which internal communication will have a prominent place. As the climate dimension is increasingly integrated in other EU policy areas, DG Climate Action will further communicate its actions across the Commission.

2.2.2. Digital transformation and information management

Starting in the 2nd half of 2022, DG Climate Action moved to its new premises to welcome the new concept of dynamic collaborative workplaces, with 'hotdesking' in 'open space'. The new offices came equipped with project areas and state-of-the art meeting room equipment from the DG Interpretation (SCIC) that facilitates hybrid meetings. In this concept colleagues are "mobile" and are expected to be flexible throughout the day, moving around with their laptop as there is powerful Wi-Fi everywhere. This requires deeper **digital interaction** with the existing **digital solutions**. DG SCIC and DG Climate Action organised trainings sessions to use the new video-conference equipment, which is fully integrated with Microsoft Teams, Skype, Webex and collaboration tools.

In addition, DG Climate Action continues to progress on the **paperless policy**. At present, all the workflows in place are electronic. The qualified electronic signature is privileged and applied within the DG and if possible, by third parties. Documents are created and reworked on the collaborative space, for example: Microsoft Teams.

In order to boost collaboration and **foster a digital culture**, and in support of the Commission project on the new framework for collaboration, an internal group of ambassadors in every unit was created to promote the use of the new communication and collaboration sites. Moreover, in order to embrace new technologies while observing **digital security** principles, the internal handling instructions for sensitive non-classified information were updated to reflect the latest advancements in the 'Welcome' domain enabling their handling in the cloud service of the Commission.

In supporting the goal of a **data-driven organisation**, dashboards on all climate-related data that are easier to access were made available to managers and policy officers. In line with the principles defined by the **Commission's Digital Strategy**, and considering the sensitivity of the data they handle, the information systems developed and managed by DG Climate Action observed notably the "security" and "privacy" principles, paying particular attention to security assurance activities and making sure that all of our systems rely on updated and validated security plans.

In the field of **data, information and knowledge management**, DG Climate Action progressed in implementing the principles of "data governance and data policies at the European Commission" in its key data assets. The actions were principally twofold. Firstly, priority was given to the data quality and the better documentation of quality assurance performed. This activity was performed frequently in close cooperation between data stewards in DG Climate Action and in the EEA. Secondly, there was a focus on raising awareness in the DG on the handling of the sensitive non-classified parts of the DG's data assets. Consequently, the implementation of data governance principles continues to progress and reached the level of 70% last year.

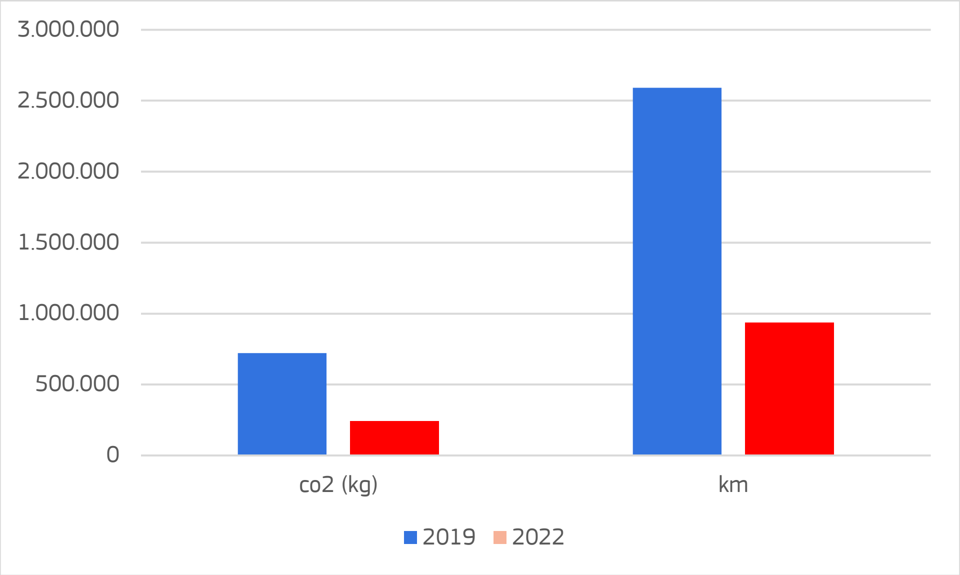
As for compliance with **Personal Data Protection** rules, 2022 was a continuation of the ongoing implementation of the complex personal data protection aspects of the European climate pact and the development of in-house courses and awareness raising activities. Particular attention was given to the correct application of the bases for lawfulness, data minimisation and storage limitation, and the obligations stemming from the use of processing contractors. In 2022, only one data breach was reported. DG Climate Action handled the issue by applying existing data protection rules and Commission administrative procedures.

The awareness raising campaign reached more than two thirds of DG Climate Action's staff. It is scheduled to be finalised well before the end of 2023, which is ahead of the deadline set out in the Commission's 2020-2024 strategic plan.

2.2.3. Sound environmental management

DG Climate Action is fully committed to the Commission's objectives to reduce its environmental impact as an institution and as an employer, and to become climate-neutral by 2030. The DG took a central role in the Commission's "Greening the Commission focus group" that prepared the Commission's climate neutrality action plan which in turn led to the adoption of the Communication to the Commission - Greening the Commission in April 2022.

Figure 4: DG Climate Action missions comparison between 2019 and 2022 (in km and CO2 emission)



DG Climate Action is well on track to meet the target set by the Greening of the Commission Communication of reducing emissions from staff travels by half by 2024 compared to 2019. The number of missions carried out by staff in 2022 (410 missions) compared to 2019 (842 missions) was halved. Economy flights for longer haul flights were also encouraged, for instance: staff flying to COP27, booked economy. DG Climate Action more than halved the number of kilometres travelled and reduced the carbon footprint by nearly two thirds, reducing CO_2 emissions from 720t in 2019 to 241t in 2022. In addition, many expert meetings were hybrid or totally virtual, thus significantly reducing GHG emissions from business travels.

DG climate Action staff moved to the Breydel 2 building during summer 2022. It is situated in central Brussels. As a result, more staff is now using sustainable commuting transport means as was shown through the internal staff survey that was carried out after the move at the end of 2022.

In the VéloMai cycling competition DG Climate Action won the first prize in the category best performance ratio.

Since the return to the office following the end of COVID-19 measures, environmental management and audit scheme (EMAS) actions and measures have resumed. DG Climate Action is participating with DG Environment in greening the courtyard of Breydel 2 with plants and therefore enhancing the biodiversity of our working environment.