



Annual Activity Report 2020

DG ENVIRONMENT

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THE DG IN BRIEF

The **Directorate-General for Environment** leads the European Commission's activities in the field of the environment. Its key mission is to help EU citizens to live well, within the planet's ecological limits, based on an innovative and circular economy where growth has been decoupled from resource use, where biodiversity and ecosystems are protected and restored and environment-related health risks are minimised.

DG Environment's **core activities** include the development and implementation of policies and legislation. They are **framed by the Treaties**¹ on the European Union and Functioning of the European Union, which establish the objectives to preserve and improve the quality of the environment; protect human health and promote a prudent and rational utilisation of natural resources. In line with **Better Regulation** requirements, the DG evaluates existing legislation regularly to ensure it is fit for purpose. Where appropriate, it prepares legislative proposals following input from citizens and stakeholders and rigorous impact assessments. The DG also steers and facilitates the **interinstitutional negotiations** leading to the adoption of the proposed legislation by the European Parliament and Council, and works with **Member States** and other stakeholders to ensure it is transposed and applied effectively. Enforcement action is taken where necessary. Non-legislative means, such as economic and voluntary instruments, and external communication, are also used.

The EU Treaties require that **environmental protection must be integrated** across the Union's policies and activities, in particular with a view to promoting **sustainable development**. DG Environment works closely with other Commission services to mainstream the environmental objectives of the European Green Deal across EU policies. Mobilising the relevant EU funding opportunities and working with the Member States and other significant players, such as the European Investment Bank, is key to ensure **green investments**. In collaboration with DG Climate Action, the DG is responsible for the current **LIFE** programme, while its implementation is delegated to EASME, the Executive Agency for Small and Medium-sized Enterprises.

The Treaties also establish that the EU shall promote measures at international level to address **regional or global environmental problems**. DG Environment represents the EU at a wide-range of environmental meetings and fora where environment-related matters are discussed.

In 2020, the DG had **476 staff members** organised in six directorates divided into units. In September 2020, the DG welcomed **a new Director-General** and established a Strategic Plan setting out the DG's objectives for the period 2020-2024. The present Annual Activity Report is the first under the DG Strategic Plan 2020-2024².

¹ Articles 3 and 17 of the Treaty on the European Union and Articles 11, 49, 191-193, 208 and 209 of the Treaty on the Functioning of the European Union

² Available at https://ec.europa.eu/info/publications/strategic-plan-2020-2024-environment_en

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG Environment 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 coordinating, executive and management functions it exercises, as laid down in the Treaties³.

A. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives (executive summary of section 1)

In 2019, President von der Leyen brought the EU's environment policy goals at the heart of the Commission political and economic priorities. The European Green Deal set the path towards a climate neutral Europe through a new EU growth strategy, with social and



environmental sustainability as the bottom lines for economic growth and recovery. DG Environment's activities moved to the centre of the stage, with renewed levels of ambition.

In March 2020, working with DG Internal Market, Industry, Entrepreneurship and SMEs, DG Environment delivered the second **Circular Economy Action Plan** (CEAP) and contributed to

deliver the new EU Industry Strategy. These two initiatives are the key to make Europe's economy fit for the green future, strengthening industrial competitiveness globally while giving new rights to consumers and protecting human health and the environment. They will boost Europe's strategic autonomy, support innovation and exploit the synergies with the digital transformation, second pillar of the EU's growth strategy. The CEAP also outlines how the Commission will promote the **global transition** to a resource efficient, clean and circular economy.

Implementation of the CEAP started immediately and, towards the end of 2020, a proposal for a new **Batteries** Regulation was adopted, bringing legislation into the age of clean **electric mobility** and **energy storage**. It represents the first regulatory instrument to address a product's impacts across its whole lifecycle and will contribute significantly to increase **resource efficiency** and reduce carbon emissions.



Global demand for batteries is set to increase **14 fold** by 2030 (compared to 2018 levels), mostly driven by electric transport

³ Article 17(1) of the Treaty on European Union

When the **Covid-19** pandemic hit, bringing human tragedy and economic backlash, the Commission adopted a new **recovery plan** that set a coherent vision towards a sustainable recovery⁴. It confirmed the need to accelerate the twin green and digital transitions, to bounce forward from the crisis and build a more sustainable, fair and resilient Europe.

By then, DG Environment was finalising the **EU Biodiversity Strategy to 2030** (BDS), to tackle pressures on biodiversity and restore degraded ecosystems. In view of the Covid-19 crisis and the increasing evidence of the links between ecosystem degradation and zoonotic diseases, the strategy incorporated the aims to contribute to the recovery and help prevent similar crises in the future. The BDS allowed the EU to take the lead and reach out to other countries for an ambitious **global biodiversity framework** at the 15th Conference of the Parties to the United Nations Convention on Biological Diversity. A key milestone was the rallying over 80 Heads of State / Government behind the Pledge for Nature in the context of the UN Biodiversity Summit in September **EU Green Week** 2020, the DG's flagship communication event, successfully supported the biodiversity priority in a new, fully digital format.



In October 2020, DG Environment delivered a **Chemicals Strategy for Sustainability**, to better protect citizens and the environment against hazardous chemicals and encourage the development of safe and sustainable alternatives. The strategy announces a set of Covid-19 specific measures to enhance the EU's strategic autonomy in the production of pharmaceuticals, disinfectants and other essential chemicals, promote research and support the creation of a clean manufacturing capacity in Europe.

84%

Europeans are worried about the impact of chemicals present in everyday products on their health



DG Environment's **integration activities** have also gained relevance under the European Green Deal, with the DG participating in the Commission-wide effort to transform the **European Semester** into a tool to drive a fair and inclusive green transition, and to monitor implementation of the Sustainable Development Goals in Member States. The 2020 country-reports contain a sustainability chapter systematically covering environmental considerations. The DG contributed significantly to translate the political decision to support the green transition into more significant allocations in the new **Multiannual Financial Framework** (30%) and the **Recovery & Resilience Facility** (37%). %) This involved greening the cohesion policy

⁴ Europe's moment – Repair and Prepare for the Next Generation, COM(2020) 456

programmes and InvestEU, as well as the adoption of a more rigorous **tracking** of the EU funds invested in the green transition. The DG also contributed to develop guidance for Member States' recovery and resilience plans. Particular attention was given to ensure that investments in other areas **do no significant harm** to the environment and to the efforts to **reduce climate change**. In the second half of 2020, constructive feedback was provided to Member States that had shared their early draft national Recovery & Resilience Plans with the Commission.

Credible criteria for **sustainable finance** are also required for public and private investments. In collaboration with other Commission services, DG Environment proposed environmental-specific criteria to complement the EU Taxonomy for sustainable economic activities. In the context of the new Multiannual Financial Framework 2021-2027, the co-legislators reached an agreement on the **new LIFE Regulation**, the only programme solely dedicated to the environment and climate, with a total budget of EUR 5.4 billion, of which EUR 3.5 billion will go to environmental activities.



Important steps were also taken to reinforce **environmental governance**. A proposal for an 8th **EU Environment Action Programme** (EAP) was delivered to ensure that the vision and priorities for the environment are shared between the EU institutions and with the Member States. Once adopted, the EAP will play a key role in coordinating stakeholders' efforts and in monitoring progress towards achieving the environmental objectives of the European Green Deal. An update of the rules on **access to justice in environmental matters** was also proposed and will enable citizens and their organisations to help enforcing environmental law at EU, national and local levels.

Several evaluations and impact assessments concluded or progressed, as part of the DG's continued commitment to **Better Regulation**. Special attention was also given to the evidence provided by the European Court of Auditors' special reports⁵. The views of citizens, businesses and stakeholders are key for the quality of new initiatives and evaluations. Considering that the crisis had made it harder for people to have their say, and in line with corporate instructions, DG Environment either postponed or expanded the consultations it had foreseen for 2020, which on several occasions resulted in delaying the deliverables planned⁶.



⁵ In 2020, the European Court of Auditors issued seven reports linked to environmental policies, three of them on issues led by DG Environment (plastics waste, pollinators and the marine environment)

⁶ As reflected in the performance tables in annex 2

DG Environment played an important role in the negotiation of the **EU-UK Trade and Co-operation Agreement** establishing the framework for the future



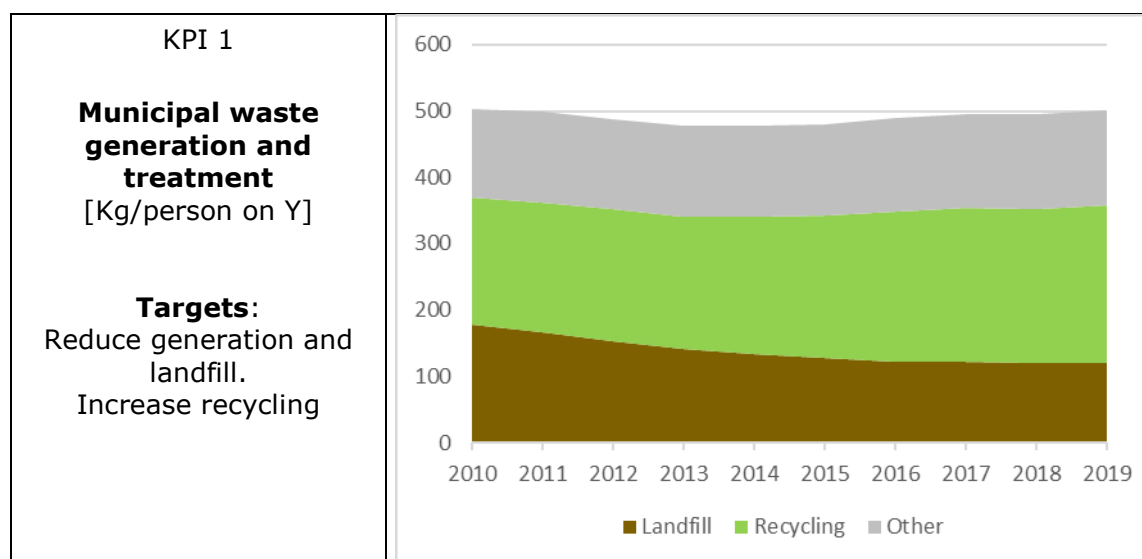
relations with the UK. The agreement contains a specific chapter to maintain a level playing field of environmental protection between the EU and the UK, including strong governance arrangements to make sure that action can be taken if there is a breach of these provisions. The DG also ensured that the 19 pieces of environmental legislation covered by the **Northern Ireland Protocol** to the UK Withdrawal Agreement are properly implemented in UK law and on the ground.

As stressed in the European Green Deal, tackling climate change and environmental degradation successfully requires an **ambitious global response**. The pandemic also highlighted the importance of international cooperation and multilateralism while necessitating a continuous adaptation of the nature of this engagement.

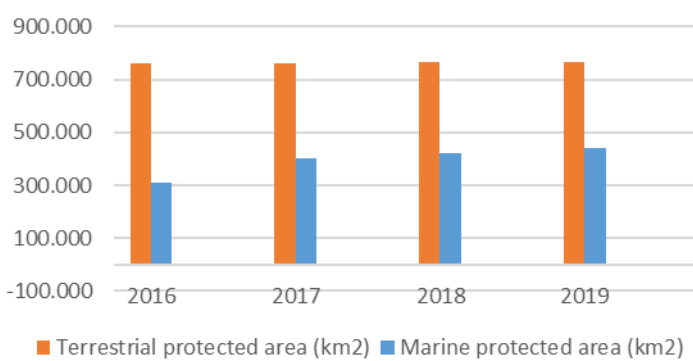
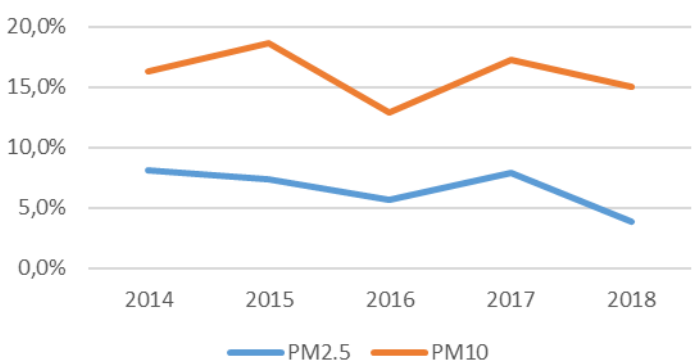
In 2020, DG Environment, together with the European External Action Service and the relevant Commission DGs, engaged in global **Green Deal Diplomacy** outreach, in line with the mandate of the European Green Deal and the three new policy strategies (on Circular Economy, Biodiversity and Zero Pollution). Ensuring the sustainability of the **global recovery effort** from the Covid-19 crisis added a new dimension to the DG's engagement. The focus was on promoting EU Environment policy and the green recovery as model for action in third countries, and driving forward global cooperation.

B. Key Performance Indicators (KPIs)

The following KPIs help measure progress towards DG Environment's policy objectives⁷:



⁷ For complete information on these KPIs, including data source, baseline and targets – please see annex 2, result indicators 1.3 (for KPI1), 2.1 (for KPI2), 3.1 (KPI3) and 4.5 (KPI4)

<p>KPI 2</p> <p>Terrestrial and marine areas protected under Natura2000</p> <p>Target: Increase and contribute to the 30% increase of EU land, oceans and seas protected by 2030</p>	<p>Natura 2000 protected areas</p>  <table><caption>Natura 2000 protected areas (km2)</caption><tr><th>Year</th><th>Terrestrial protected area (km2)</th><th>Marine protected area (km2)</th></tr><tr><td>2016</td><td>~750,000</td><td>~300,000</td></tr><tr><td>2017</td><td>~750,000</td><td>~400,000</td></tr><tr><td>2018</td><td>~750,000</td><td>~420,000</td></tr><tr><td>2019</td><td>~750,000</td><td>~450,000</td></tr></table>		Year	Terrestrial protected area (km2)	Marine protected area (km2)	2016	~750,000	~300,000	2017	~750,000	~400,000	2018	~750,000	~420,000	2019	~750,000	~450,000			
Year	Terrestrial protected area (km2)	Marine protected area (km2)																		
2016	~750,000	~300,000																		
2017	~750,000	~400,000																		
2018	~750,000	~420,000																		
2019	~750,000	~450,000																		
<p>KPI 3</p> <p>Percentage of EU urban population exposed to air pollution. Particulate Matter (PM)</p> <p>Target: 0% exposure to levels above EU limits</p>	<p>Evolution of the exposure to particulate matter</p>  <table><caption>Evolution of the exposure to particulate matter (%)</caption><tr><th>Year</th><th>PM2.5 (%)</th><th>PM10 (%)</th></tr><tr><td>2014</td><td>~8.5</td><td>~16.5</td></tr><tr><td>2015</td><td>~7.5</td><td>~18.5</td></tr><tr><td>2016</td><td>~5.5</td><td>~12.5</td></tr><tr><td>2017</td><td>~8.0</td><td>~17.5</td></tr><tr><td>2018</td><td>~4.0</td><td>~15.0</td></tr></table>		Year	PM2.5 (%)	PM10 (%)	2014	~8.5	~16.5	2015	~7.5	~18.5	2016	~5.5	~12.5	2017	~8.0	~17.5	2018	~4.0	~15.0
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2014	~8.5	~16.5																		
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2017	~8.0	~17.5																		
2018	~4.0	~15.0																		
<p>KPI 4</p> <p>Compliance with the principles of environmental governance framework</p> <p>Target: Reduce</p>	<p>Baseline (2019)</p> <p>a) Number of infringement cases relating to the breach of the EU environmental governance framework: 45</p> <p>b) Number of infringement cases relating to the breach of access to justice rights in EU environmental rules: 15</p>	<p>Known results (2020)</p> <p>a):6 cases closed. Total new number of infringement cases: 62, due to new cases</p> <p>b) 3 cases closed. Total new number of infringement cases 33, due to new cases.</p>																		

As regards organisational management, the key indicator chosen is the **residual error rate (RER)**, which reflects the degree of sound financial management. In 2020, the RER was **0,74%** of the budget at closure, well below the 2% materiality level.

C. Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, (the staff of) DG Environment conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. DG Environment has assessed its internal control systems during the reporting year and has concluded that is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified. Please refer to AAR section 2.1.3 for further details.

In addition, DG Environment has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, 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; and necessary improvements and reinforcements are being implemented. The Director General, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Sinkevičius, responsible for Environment, Oceans and Fisheries.

Waste management in the context of the coronavirus crisis



E. Specific actions on Covid-19

In 2020, Europe was strongly impacted by the Covid-19 pandemic. The Commission has proposed a strong and coordinated response to the health crisis as well as to the impact on Europe's economy and society. Covid-19 has also posed challenges as regards performance, control, audit and assurance in relation to the 2020 EU budget. In an exercise coordinated at corporate level, all Commission services have promoted the consistent and rigorous protection of the EU budget ensuring that appropriate mitigating measures were put in place.

DG Environment contributed to the Commission's response and addressed in particular a number of specific challenges:

- Three **guidance** documents were issued in relation to **waste collection and management**⁸.
- Work to track **Covid 19 in waste waters** was launched, in collaboration with the Joint Research Centre and 50 EU waste water plants, to reinforce surveillance activities in the EU.
- Several **chemicals** necessary for the diagnosis and the development of vaccines to combat Covid-19 are considered of very high concern; regulatory measures were taken to allow applications for authorisation for those uses, in recognition of the public health emergency.
- Guidance was delivered on the application of the **Strategic Environmental Assessment Directive** to measures under the Coronavirus Response Investment Initiative (CRII and CRII+) and Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU).
- In 2020, DG Environment received more than 100 **requests from Member States** and industry for changes and derogations to EU environmental rules arguing that certain obligations or deadlines could not be met due to difficulties resulting from the Covid-19 pandemic. The DG assessed the difficulties and, where appropriate, provided guidance on built-in flexibilities in certain legislation as well as on the scope of *force majeure* derogations.

Finally, several actions were taken to adapt the **LIFE Programme** and minimise the potential financial loss, such as updating calls for proposals to allow for increased pre-financing payments, extending or amending contracts, and rescheduling payments. Additional payment appropriations (EUR 25 millions) were requested and fully consumed by year-end 2020.

⁸ https://ec.europa.eu/environment/waste/shipments/pdf/waste_shipment_and_COVID19.pdf; [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020XC1020\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020XC1020(01)); https://ec.europa.eu/info/files/waste-management-context-coronavirus-crisis_en

1. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives

In 2020, DG Environment worked towards achieving the six Specific Objectives set out in its Strategic Plan 2020-2024, which reflect the main environmental ambitions of the Commission's first general objective (GO), the **European Green Deal**. The DG's objectives are also key to achieve the Sustainable Development Goals and a climate neutral Europe. They contribute as well to other Commission general objectives, including a digital Europe (GO2), an economy that works for people (GO3) and a push for European democracy (GO6), as explained in the DG Strategic Plan. By projecting the European Green Deal abroad, the DG is also supporting a stronger Europe in the world (GO4).

Specific Objective 1- Circular Economy: The EU economy is more circular and uses natural resources and products more sustainably



In March 2020, the Commission adopted an ambitious new **Circular Economy Action Plan (CEAP)**, jointly developed by DG Environment and DG Internal Market, Industry, Entrepreneurship and SMEs. The CEAP presents 35 legislative and non-legislative initiatives to make products more sustainable, to boost circularity in key resource-intensive value chains,

to enable and encourage sustainable consumption, reduce waste and foster secondary materials markets.

Several of the CEAP measures delivered in 2020 focus on the **sectors with highest impact** on the environment. A **Batteries** Regulation was delivered in December, revising existing rules and representing the first regulatory instrument to address a product's impacts across its whole lifecycle. It aims at improving the design, durability and optimum use, the collection of discarded batteries and recuperation of the valuable materials they contain. This will contribute significantly to resource efficiency, in the context of rapid global growth of electric mobility and energy storage. The Regulation will simplify the application of waste legislation by proposing directly applicable rules and will harness the potential of digitalisation to reduce administrative costs. A digital product passport for batteries will make static and dynamic data accessible on batteries to ensure their efficient use and management throughout their life-cycle.

Sustainable batteries will power clean electric vehicles (we need to reduce emissions in the transport sector by **90%** to meet our **2050** climate goals), support our drive towards renewable energy and reduce their carbon footprint and other impacts on the environment



In the **building sector**, the DG delivered **Level(s)**⁹, a framework to assess and report on environmental performance of buildings, expected to be useful for the Renovation Wave.

Plastics remained a high priority. New rules on the **shipments of plastic waste**¹⁰ were adopted to ban the export of plastic waste from the EU to non-OECD countries (except for clean plastic waste sent for recycling)¹¹ and to control more strictly exports to OECD countries as well as imports into the EU. Under the **Single Use Plastic** Directive, new measures were issued on marking certain single-use plastic products and on Member States reporting on the levels of products re-use¹². On **microplastics**, an analysis by the European Chemicals Agency (ECHA) of potential measures to limit the unintentional release into the environment was launched and will be followed by a restriction under REACH¹³. On request of the Commission, the Chief Scientific Advisers published an opinion on Biodegradability of plastics in the open environment¹⁴. Further work on the use of **biodegradable and biobased plastics** will take place in 2021 and 2022.

The revision of the **waste acquis** continued to be a central work strand. An evaluation of the **Waste Shipments Regulation**¹⁵ was published and an impact assessment launched, to revise the rules. Simplification will be important to address the complex, time-consuming (often paper based) notification procedures as well as the different interpretations of waste classifications by the Member States. Preparatory work was launched for two legislative revisions -on packaging and **packaging waste** and on the limit values of **persistent organic pollutants** in waste - and another two evaluations were in progress, on **End-Of-Life** vehicles and on the **Restriction of Hazardous Substances** in electric and electronic waste. Their delivery was however delayed, linked to Covid-19 priorities and the difficulties of working with stakeholders and consultants in the lockdown. In parallel, implementation of the legislation continued, requiring the preparation of several Commission acts¹⁶.

The DG's first **Key Performance Indicator** shows that Member States are making steady progress towards achieving targets for treatment of **municipal waste**, with further incremental reductions in landfilling. However, EU-wide figures hide considerable divergences between countries and the reduction in **waste generation** continues to stagnate. To help Member States improve their **separate waste collection** systems, guidelines were issued on the separate collection of hazardous household waste.¹⁷ Important work was also carried out towards the implementation of the updated **waste legislation**, including launching of the Database for Information on Substances of Concern

⁹ https://ec.europa.eu/environment/topics/circular-economy/levels_en

¹⁰ Commission Delegated Regulation (EU) 2020/2174

¹¹ decision taken by 187 countries in May 2019 at the 14th Conference of the Parties of the Basel Convention

¹² https://eur-lex.europa.eu/eli/reg_impl/2020/2151/oj and https://eur-lex.europa.eu/eli/dec_impl/2021/19/oj

¹³ Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals.

¹⁴ https://ec.europa.eu/info/research-and-innovation/strategy/support-policy-making/scientific-support-eu-policies/group-chief-scientific-advisors/biodegradability-plastics-open-environment_en

¹⁵ https://ec.europa.eu/environment/waste/shipments/pdf/SWD_2020_26_F1_SWD_EVALUATION_EN_V4_P1_1064541.pdf

¹⁶ See details in annex 2, Specific Objective 1, "other important outputs"

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020XC1106%2801%29>

(SCIP). Several waste expert group meetings were organised to facilitate good transposition of measures on **extended producer responsibility** and separate collection obligations.

Compliance and enforcement action focused on ensuring the complete and adequate transposition of waste legislation. Infringement procedures were initiated against 24 Member States which failed to transpose the updated waste legislation by July 2020. Infringement actions were also pursued to ensure that illegal or substandard landfills are closed and rehabilitated. Constructive dialogue with national authorities reminded Member States of their obligation to align Waste Management Plans and Prevention Programmes with the more ambitious targets set in 2018.

The CEAP outlines measures to promote the **global transition** to a resource efficient, clean and circular economy. Among the steps taken, the launch of the Global Alliance for Circular Economy and Resource Efficiency (GACERE) was prepared and the circular economy was promoted through policy dialogues, outreach events and participation in webinars around the world (see also specific objective 6)

External communication and **collaboration with stakeholders** were reinforced across all aspects of the circular economy. The CEAP adoption was marked with intensive social media promotion in a stream that continued throughout the year. In September, a



showroom of EU Ecolabel products

was co-organised in Berlin with the German Presidency of the Council and business partners. Despite the lockdown, over 1,46 million people were reached by social media actions and 4,2 million were reached by advertisements in metro and train stations. Two further conferences were organised on the **25th anniversary of the Eco-management audit scheme** (EMAS)

and to promote green public procurement.

The annual **Circular Economy Stakeholders Conference** took place on 3rd and 4th November, hosted by the Commission in full online format. Around 2800 stakeholders from 64 countries discussed the new CEAP with high-level Commission's speakers, including Executive Vice-President Timmermans and Commissioner Sinkevičius. Supported by social media, the reach of the event was estimated in millions¹⁸ and its hashtag trended second on Twitter Belgium on Day 1, behind only the official US elections hashtag. The conference hosted also the award ceremony of the **EU Business Awards for Environment**, highlighting the role that eco-innovation plays as an enabler of the transition to the circular economy, and the green deal agenda in general.

¹⁸ See details in annex 2, Specific Objective 1, External Communication

Cooperation with the European Economic and Social Committee was strengthened, with a new mandate to mobilise stakeholders across Europe, also in the context of the **European Circular Economy Stakeholder Platform**.

Specific Objective 2- Biodiversity and natural ecosystems in the EU are put on the path to recovery by stepping up their protection and restoration



In May 2020, DG Environment delivered an ambitious **EU Biodiversity Strategy for 2030 (BDS)** setting a clear roadmap of measures, commitments and targets for the protection and restoration of nature by the EU and its Member States. In the context of the **Covid-19** pandemic, the links between

biodiversity loss and disease outbreaks were in the spotlight, and the need to prevent future crisis and increase resilience was strongly built in.

Preparatory work started on the BDS flagship initiative to set legally binding nature **restoration targets** in the EU, and the new biodiversity governance framework progressed with the launch of the **Knowledge Center for Biodiversity**.

A **State of nature in the EU** report was published, based on Member States reporting under the Habitats and Birds Directives for the period 2013-2018. It confirmed that the majority of the species and habitats still have a poor or bad status and that many are showing deteriorating trends. This assessment provides a vital baseline to measure progress in achieving the restoration target for protected species and habitats set out in the BDS.

The report confirmed that boosting the **Natura 2000 network** is key to meet the EU and Member States' targets to designate 30% of EU terrestrial and marine environments as protected areas, as reflected in the second DG's **Key Performance Indicator**. It also showed

that agriculture remains the single most important threat to nature in the EU, followed by urbanisation and forestry. A revision of the EU Soil Strategy was launched, to address **soil and land** issues in a comprehensive way. Work under the Farm to Fork Strategy, notably on organic farming will also contribute to reduce pressures, in particular on the use of

Operational expenditure in support of policy priorities

In 2020, a study on the impact of the **EU LIFE programme** showed that its contribution to the **protection of nature** is impressive, in particular for the identification, designation and management of **Natura 2000 sites**. By the end of 2019, over 5,400 Natura 2000 sites, both terrestrial and marine, had benefited from LIFE funding across Europe. Natura 2000 is today the largest network of protected areas in the world and this is, to a large extent, thanks to LIFE.

LIFE has also contributed to restore endangered **habitats** and has safeguarded numerous **species** from extinction, including emblematic species such as the Iberian lynx, the Brown bear and the Mediterranean monk seal. It has demonstrated the **added value** of transnational conservation approaches as well as the **social** and **economic** benefits that nature provides.

fertilisers and pesticides. In November 2020, essential guidance on **wind energy** and EU nature legislation was updated, to reflect the latest developments in renewable energy and nature protection. It explains how to ensure that wind energy developments are compatible with EU environmental policy in general and EU nature legislation in particular.

In 2020, all actions under the **EU Pollinators Initiative** were finalised, as scheduled, and



a review of progress was under preparation for publication in early 2021. This will take into account the findings of the **European Court of Auditors** on the effectiveness of EU actions on wild pollinators¹⁹.

In the area of **forests**, DG Environment collaborated closely with DG Agriculture and Rural Development and DG Climate Action in the development of a new **EU Forest Strategy**, to cover the whole forest cycle and promote the many services that forests provide. These issues, as well as the need to address the EU's global footprint, were also part of the DG's action to combat **global deforestation** and **illegal wildlife**

trade. An ongoing evaluation of the EU Action Plan against Wildlife Trafficking will inform a subsequent revision, as announced in the BDS, and an impact assessment was launched to identify measures to minimise the risk of deforestation and forest degradation associated with placing products on the EU market. This will be the basis for the Commission to propose legislation in 2021, as announced in the European Green Deal and confirmed in the Commission's reply to the European Parliament's related legislative initiative resolution of December. In parallel, a fitness check of the EU Timber²⁰ and FLEGT²¹ Regulations started and will contribute to inform the new measures.

Seas and oceans continue to be under severe threat. According to the Marine Strategy Framework Directive, Member States had to achieve good environmental status in 2020. A report based on the first implementation cycle of the Directive²² found that the EU has in place one of the most comprehensive and ambitious marine protection frameworks worldwide. However, it highlighted shortcomings, including not achieving good status everywhere on all descriptors. In 2020, the **European Court of Auditors** issued a special report on marine environment concluding that "EU protection is wide, but not deep", conclusions the Commission has accepted. These outcomes will feed into the ongoing review of the Directive, in close collaboration with DG Maritime Affairs and Fisheries.

¹⁹ Special Report 15/2020

²⁰ Regulation (EU) No 995/2010 laying down the obligations of operators who place timber and timber products on the market.

²¹ Council Regulation (EC) No 2173/2005 on the establishment of a FLEGT licensing scheme for imports of timber into the European Community.

²² COM(2020)259

Compliance and enforcement action was also pursued to address notably structural shortcomings in the implementation of the EU laws. These included: i) the insufficiency of the Natura 2000 network; ii) the lack of designation of Special Areas of Conservation and the absence of conservation objectives and measures; iii) the insufficient protection of species and habitats in decline, aiming to prevent damaging impacts of infrastructure projects or illegal logging.

At the **international level**, following the adoption of the EU BDS, the priority was to ensure an ambitious **global biodiversity** framework at the 15th Conference of the Parties to the United Nations Convention on Biological Diversity, foreseen to take place in October 2021. Targeted outreach to key third countries aimed to align negotiating positions in the run up to the Conference. Biodiversity was at the centre of political dialogues with third countries and regions, and was regularly pushed on the agenda of the Summits with third countries (see relations with e.g. China, India, and Japan under Specific Objective 6).

Discussions continued also on **forests**, notably at the 15th session of the UN Forum on Forests, the 25th Session of the Food and Agriculture Organisation (FAO) Committee on Forestry and at the 56th session of the International Tropical Timber Council, including discussions on the impact of Covid-19 pandemic on tropical timber sector.

The DG represented the EU and its Member States in the Inter-Governmental Working group on Droughts of the UN **Convention to Combat Desertification**, and in the Global Soil Partnership, under the FAO. It also continued supporting the EU representation in the **Regional Sea Conventions**²³. On 28 September, Commissioner Sinkevičius hosted the conference **“Our Baltic”** to raise awareness of the status and pressures on the Baltic Sea. A declaration including clear commitments to improve its state was signed by all the Fisheries, Agriculture and environment Ministers of the EU countries around the Baltic.

Biodiversity was the DG's external **communication priority** in 2020, linked to the importance of nature and ecosystems for human well-being and prosperity, and to the adoption of the BDS as a key element of the European Green Deal. A **global coalition for biodiversity** conservation was launched in March, to mobilise national parks, aquariums, botanic gardens, zoos, science and natural history museums to jointly boost public awareness about the nature crisis. On 20-22 October, the **EU Green Week**



²³ HELCOM (Helsinki Convention on the Protection of the Marine Environment of the Baltic Sea Area), OSPAR (Convention for the Protection of the marine Environment of the North-East Atlantic) and UNEP/MAP (United Nations Environment Programme / Mediterranean Action Plan)

2020, the DG's flagship communication event, was dedicated to biodiversity. Despite the challenges of a fully virtual set up, the event was highly successful both in terms of participation and in passing policy messages to the audience²⁴. An external evaluation showed that it the event had fully achieved its objectives of improving the knowledge and understanding of the EU biodiversity policies and contributed to improving the overall image of the EU.

Specific Objective 3- Zero Pollution: Citizens and natural ecosystems are better protected from environmental pressures and risks to health as a result of Europe's zero-pollution ambition and measures for a toxic-free environment



In 2020, DG Environment presented the first key component of the Commission's Zero Pollution ambition: a **Chemicals Strategy for Sustainability (CSS)**²⁵. The new strategy aims at better protecting citizens and the environment from hazardous substances, and encourages innovation for the development of safe and sustainable chemicals. It sets out a

number of actions to simplify and strengthen EU rules on chemicals, including to improve how EU agencies and scientific bodies can work together towards a **one-substance one-assessment** process. The strategy also aims to close the knowledge gap we still face in better understanding chemicals, and advocates zero tolerance for non-compliance. In the context of the **Covid-19** crisis, the strategy announces activities to support the recovery of industries using and producing chemicals, and to promote the EU's strategic autonomy, for example in pharmaceuticals and disinfectants.

Environment pollution of air, water and soil continues to be of high concern for European citizens. In 2020, important progress was made on an action plan to address these interlinked challenges, as required under the **zero pollution ambition** of the European Green Deal, while efforts continued to step up implementation of the existing policies and legislation both within and beyond EU borders²⁶.

The third DG **Key Performance Indicator** shows that the percentage of urban population exposed to air pollution is decreasing (with a focus on particulate matter). However, despite the progress made **air pollution** remains the first environmental challenge for public health.



²⁴ Further details are provided in annex 2, Specific Objective 2, External Communication

²⁵ https://ec.europa.eu/environment/strategy/chemicals-strategy_en

²⁶ Detail of the actions foreseen to implement existing legislation is provided in annex, under Specific Objective 3

Following from a fitness check of Air Quality legislation, concluded in 2019, the DG launched an impact assessment to revise the relevant directives and enhance their effectiveness.

In June, a report on the implementation of the **National Emission reduction Commitments** Directive²⁷ published, assessing the Member States' National Air Pollution Control Programs. It found that most Member States are at risk of not complying with their emission reduction commitments and need to put in place additional measures. This was confirmed by the second **Clean Air Outlook**²⁸, which showed that EU Member States need to continue their efforts in implementing air and climate legislation and to develop further efforts in particular to reduce ammonia emissions from agriculture, so that health and ecosystem impacts of air pollution are reduced according to commitments.

Environmental noise is the second major threat to human health due to environmental factors. In collaboration with the Noise Expert Group, DG Environment assessed the existing policy frameworks at international, EU and national levels, identifying 23 improvements to reduce the noise burden on health, and completed the work to establish noise assessment methods²⁹.

As regards **water quality**, the water fitness check concluded in 2019 found legislation to be broadly fit for purpose, with some room for improvement. Full implementation will require better integration of water quality concerns throughout sectors such as agriculture, transport, energy and industry; an acceleration of water measures in Member States and increasing funding for water. DG Environment is following on these points *inter alia* based on the River Basin and Floods Risk Management Plans from Member States and building on the momentum created by the European Green Deal. The watch list of **priority substances** in surface water was revised, to include further pollutants of emerging concern and contribute to developing an early warning mechanism that will be key for the zero pollution ambition.



The European Parliament and the Council adopted the revised **Drinking Water** Directive and the new EU rules on **Water Reuse**, both based on proposals prepared by DG Environment. The DG played a relevant role as well in facilitating the inter-institutional negotiations. These measures were designed to improve water quality, efficiency and

²⁷ COM (2020) 266 final

²⁸ COM (2021) 3 final

²⁹ An amendment of Annex II to Directive 2002/49/EC is ready for Commission adoption in early 2021

availability and will, once implemented, deliver significant benefits for the environment, citizens' health and the economy.

Work on the implementation of the **Nitrates Directive** concerning pollution from agricultural sources continued, by assessing data reported by the Member States' on the state and trends of nitrate pollution in surface and ground water for the upcoming Commission report on the implementation of the directive and by ensuring that Member States, if necessary, take additional or reinforced measures to prevent or reduce nitrate pollution.

The evaluation of the **Industrial Emissions Directive**, published in September 2020, concluded that it has been effective in curbing emissions of pollutants by EU's large (agro)industrial installations, especially to air, but contributed less to decarbonisation and the circular economy objectives. The DG has therefore started preparations for a legislative revision of the relevant legislation, which is a priority under the zero pollution ambition of the European Green Deal.

In line with the European Green Deal mandate, **compliance and enforcement** action addressed notably:

- the insufficient measures by a number of Member States to meet **air quality standards** for key pollutants (PM₁₀, NO₂ and PM_{2.5}) and certain planning obligations;
- the substandard collection and treatment of **urban wastewaters**;
- the insufficiency of certain **nitrate** action plans and the non-designation of vulnerable zones;
- systemic breaches or serious health risks resulting from non-compliance with the rules on **drinking water**;
- in respect of **noise pollution**, the absence of noise maps and action plans, to help restraining the harmful noise exposure of citizens.

At **international level**, the CSS will have a positive impact on the 5th session of the



International Conference on Chemicals Management, which will set a new framework for the sound management of chemicals and waste beyond 2020. The adoption of the CSS will reinforce and highlight the Commission's leadership and comprehensive approach in this area, also underpinned by recent achievements in the context of the Stockholm Convention (persistent organic pollutants), Rotterdam Convention (international trade on hazardous chemicals and pesticides), Basel Convention (transboundary movement of hazardous waste) and Minamata Convention (mercury). With a view to further **restricting mercury in products** (in particular dental amalgam), the DG started developing proposals for a mandate that would allow the Commission to

lead international negotiations on global prohibitions of producing and trading products using this very toxic substance.

Pollution is a pervasive global problem that is transboundary in nature. Hence pollution and the need to reduce its levels in the air, water and soil were among the main topics raised and discussed in bilateral and regional cooperation fora, dialogues, partnerships and outreach activities with international partners (see also specific objective 6).

Specific Objective 4-Integration: Environmental concerns are integrated, and biodiversity standards mainstreamed, across EU policies, investments and finance, through existing consultation mechanisms and a proactive approach to coordination

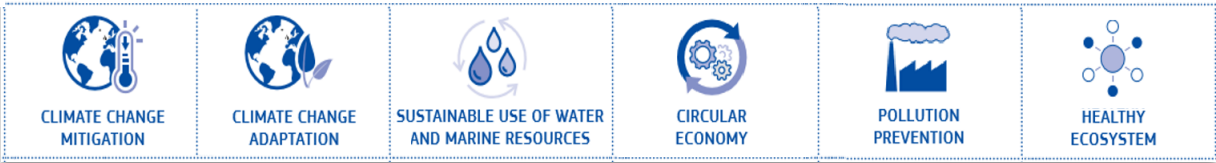


In 2020, a greener **European Semester** became a reality, with an environmental sustainability section in all country reports reflecting the environmental priorities specific to each Member State. The new **Just Transition Fund** (a new component of the Semester) also included references to Circular Economy and land decontamination for many

Member States. In spite of the focus on the Covid-19 emergency, the European Council endorsed most of DG Environment’s proposals for investments on environmental infrastructure, waste management/circular economy, water management sustainable transport, clean and efficient production and use of energy and resources, nature and biodiversity.

Public and private investments are fundamental to achieve ambitious environmental objectives. Led by DG Financial Market, work continued on **sustainable finance**, both under the 2018 Action Plan and to prepare a renewed strategy. DG Environment contributed actively to developing criteria to complete the **taxonomy of green economic activities** for the remaining four environmental objectives. The Taxonomy will also be used as a reference to mobilise public investments. The DG continued also working on others strands from the 2018 Action Plan, such as an EU Green Bond Standard, low-carbon benchmarks and on the integration of sustainability considerations into investment and insurance advice. It also launched the development of EU Ecolabel criteria for financial products.

To qualify as green, an investment would need to contribute to at least one of these **six objectives**:



The integration of environmental considerations into the revised **Multiannual Financial Framework** (MFF) 2021-2027 and **NextGenerationEU** was fundamental to ensure support for environmental priorities and the green transition. An analysis of green investment needs prepared by DG Environment provided a useful basis to that end.

The **Recovery and Resilience Facility** (RFF) includes a pillar on green transition and covers positive elements such as the “do no significant harm” principle, the need for Member States’ recovery plans to support the green transition, specific references to

biodiversity, increased threshold for climate targets (30% in the MFF and 37% in the RFF) and a revised methodology for tracking climate expenditure that is more attractive for environmental investment priorities.

With regard to **Cohesion policy**, environmental integration was also largely ensured, among others through the introduction of three environmental enabling conditions for waste, water and nature investments and the tracking of environmental expenditure. Reference to biodiversity was added in all the draft programmes, as well as the obligation for Cohesion policy and the Just Transition funds to contribute to the new biodiversity thresholds (7,5% of spending under the MFF to biodiversity objectives as from 2024, reaching 10% as from 2026). In parallel, the DG continued supporting implementation of 2014-2020 cohesion policy operational programmes, often modified to enable co-financing of emergency measures related to Covid-19.

To ensure that the new programmes are used to support environmental investments in the **Member States**, investment support documents were prepared on circular economy, water management, air quality and nature protection, as well as country specific papers for the 27 Member identifying investment priorities per fund from an environmental point of view. The DG also contributed to establishing guidance on sustainability proofing as well as on climate and environmental tracking and on the 'do no significant harm' principle.

The **Common Agricultural Policy** (CAP) will be crucial to deliver on the commitments of the Biodiversity and Farm to Fork Strategies. DG Environment contributed substantially to the country-specific recommendations, which included the main environmental priorities on which Member States had to focus when preparing their CAP Strategic Plans³⁰. Updated Rural Development Programmes of Member States and regions were also assessed, to ensure the integration of environmental concerns in EU farming policy.

InvestEU, the fund created by the European Green Deal, will provide important financial possibilities. It will form the basis for the natural capital and circular economy financial initiative, aiming to mobilise EUR 10 billion, and environmental spending will be tracked. DG Environment worked also with the **European Investment Bank** on updating financing policies and on the roadmap adopted by the EIB for the transition into the Climate Bank.

With regard to **Research & Development activities**, environmental integration was significantly enhanced through a very active participation in the co-creation process for the new Horizon Europe framework programme as well as through the DG's work on foresight. In addition to generating foresight reports on emerging economic, business, technological and social innovations in the future green economy, the DG supported corporate work on strategic foresight, notably contributing to the first **Strategic Foresight Report on resilience**, adopted in September 2020.

Through DG Environment's active engagement, environment was also identified as a priority in the future **Neighbourhood, Development and International Cooperation Instrument** (NDICI). The future Global Challenges programme of the NDICI will include an expanded cross subdelegation to DG Environment to support global environmental governance and multilateral environmental agreements.

³⁰ These plans were adopted in December 2020, together with the Commission Communication COM(2020) 846

Linked to the MFF, the co-legislators reached an agreement on the **new LIFE Regulation**, the only programme at EU-level solely dedicated to the environment and climate. The total budget allocated for LIFE in the compromise on the 2021-2027 Multiannual Financial Framework is EUR 5.4 billion (current prices), of which EUR 3.5 billion will go to environmental activities. The programme aims to contribute to the shift towards a clean, circular, energy-efficient, low-carbon and climate-resilient economy, including through the transition to clean energy, to protect and improve the quality of the environment and to halt and reverse biodiversity loss.

Closing the current framework, more than EUR 280 million from the EU budget was allocated for over 120 new LIFE programme projects. This amount represented a 37% rise compared to the previous year.

Specific Objective 5- Governance: There is an enabling framework for implementation based on strong governance and enforcement action, supported by advanced knowledge and digital technologies, close collaboration with cities and citizens' engagement



A sound governance framework and close collaboration with a broad range of stakeholders are key to achieving full implementation of environmental policies and legislation in Member States.

In October, the Commission adopted its proposal on the **8th Environment Action Programme**, developed by DG Environment

in close coordination with DG Climate Action and other concerned services. The proposal provides a stable political framework to 2030, links environment policy to the 2030 Agenda for Sustainable Development and invites co-legislators to endorse the overarching objectives of the Green Deal. It introduces the concept of a regenerative economy that gives back to the planet more than it takes as a new priority objective for environment policy and provides an enabling framework for all actors involved to ensure that policies are delivered on the ground. A new monitoring mechanism is under preparation to monitor progress towards the 2030 and 2050 objectives.

A legislative proposal amending the Aarhus Regulation was also delivered, to allow for better public scrutiny of EU acts affecting the environment. The proposed update broadens the application of the rules on **access to justice in environmental matters**, in line with the requirements of the **Aarhus Convention**. It was accompanied by a Communication outlining several priority areas of action to facilitate access to justice in environmental matters for individuals and their organisations in EU Member States. One of the priorities identified was monitoring the implementation of EU law on access to justice. To this end, updated information on access to



justice in environmental matters will be made available on the Commission's eJustice portal³¹ from 2021. Better access to justice will enable citizens and their organisations to help enforcing environmental law at EU, national and local levels.

Implementation of the 2018 Action Plan on **environmental compliance and governance** was successfully completed with the delivery of several guidance documents and a stable ground for improving the use of geospatial intelligence for environmental compliance assurance (as detailed in the outputs in annex). Cooperation and support to the European networks of judges, prosecutors, police officers (EnviCrimeNet) and inspectors (IMPEL) was further strengthened to ensure the necessary capacity building, training and coordination along the enforcement chain.

Enforcement work also continued with the management of infringement cases and new investigations related to the environmental governance framework. As shown by the DG fourth **Key Performance Indicator**, several cases were successfully closed, while new were open to ensure that governance rules are enforced and effectively implemented.

The systemic approach of the European Green Deal has further increased DG Environment's need to collaborate with its **knowledge partners**, notably the European Environment Agency, who provides essential information for developing, implementing and evaluating environmental policy. To ensure a reinforced support from the Joint Research Centre, a five-year cooperation framework agreement was established between the two services. The **Science for Environment Policy**, DG Environment's tool to inform policy makers and the public about new scientific findings, continued providing in-depth analysis of environmental policy developments.



Environmental action is particularly important in **urban settings** where more than 70% of EU citizens live. To motivate city authorities to protect the local environment, in October the DG launched the **Green City Accord**. By signing it, mayors commit to improving air, water and noise, protecting nature and biodiversity, enhancing municipal waste management and advancing the

circular economy, through achieving five specific goals by 2030. The Green City Accord complements the **European Green Capital** and **Leaf awards**, which reward and promotes cities at the forefront of urban sustainability. In 2020. The awards were successfully given to the cities of Grenoble (European Green Capital title for 2022) and joint winners Lappeenranta and Gabrovo (for the European Green Leaf 2021 titles).

DG Environment's **external communication** supported policy priorities communicating as widely as possible to the general public via media, including social media, and to relevant

³¹ Accessible on: https://e-justice.europa.eu/content_access_to_justice_in_environmental_matters-300-en.do

stakeholders via webinars or targeted events (specific activities and outputs are mentioned throughout this report and in the outputs tables in annex, under the relevant specific objectives). The DG provided also substantial input to the **corporate communication campaigns** on the European Green Deal and on NextGenerationEU, contributing, in particular, to develop **audiovisual** products, for instance on Biodiversity and on greening maritime transport. The DG's **publication programme** focused also on the European Green Deal, attempting to bring the narrative of transformational change closer to citizens, businesses and stakeholders, and to help leveraging the powers of citizens, communities and businesses as enablers of the green transformation.

In 2020, the **Green Spider Network** continued fulfilling its role of connecting Member States' environment communicators with the Commission, albeit in a virtual format. With a focus on enhancing synergies, the network collaborated in developing and implementing the European Green Deal corporate campaign. **Social media** accounts played a key role in 2020, in particular given the importance of digital communication in the Covid-19 lockdowns. The number of "ENV followers" on Twitter, Facebook and Instagram increased significantly (see figures in the output tables). On 1 October, the DG was the first service to set its external website on the new Europa Web Publishing Platform. The **Environment website** remains one of Commission's most popular websites, with more than 4 million visits in 2020.

Specific Objective 6- International: Global uptake of the environmental objectives of the European Green Deal is stimulated through participation in multilateral agreements, institutions and fora, EU accession negotiations, engagement with third countries and trade



The European Green Deal is clear in its analysis that to tackle climate change and environmental degradation successfully, an ambitious global response to these challenges will have to be found.

In 2020, DG Environment, where relevant working together with the European External Action Service and the external DGs, engaged in global **Green Deal Diplomacy** outreach in line with the mandate of the European Green Deal, the new policy strategies adopted in its wake and the EU environmental *acquis*. Ensuring the sustainability of the **global recovery** effort from the Covid-19 pandemic added a new dimension to DG Environment's engagement. The focus was on promoting EU Environment policy and the green recovery as model for action in third countries and driving forward global cooperation especially in areas without multilateral governance structures. Overall, bilateral and bi-regional contacts went ahead largely as planned despite the pandemic, albeit in virtual format and frequently with truncated agendas.

Cooperation with the **United Nations Environment Programme** (UNEP) continued to deepen. An early 2020 EC-UNEP high-level meeting took stock of the new Commission's

ambitious environment agenda and work was launched to revise the priorities for cooperation in the period 2021-2025. Another focus was to prepare the fifth session of the United Nations Environmental Assembly (UNEA5) to ensure that the world's highest environmental authority sends a strong message on the need for and modalities of a green recovery. Also in the context of UNEA5, work continued to support the launch of international negotiations global agreement on plastics.

Work in the **G20** under Saudi Arabian Presidency was intense. Ahead of the G20 Summit, an environment *communiqué* was adopted on issues such as sustainable recovery and zoonosis. Two new G20 initiatives on combatting land and coral reef degradation were adopted. The G20 Agriculture track held dedicated discussions on water that were reflected in the final *communiqué* as well as in the establishment of a G20 Water Dialogue.



DG Environment played an important role in the negotiation of the **EU-UK Trade and Co-operation Agreement**. The agreement contains a specific chapter to maintain a level playing field of environmental protection between the EU and the UK, including governance arrangements to make sure that strong action can be taken if there is a breach of these provisions. The DG also ensured that the 19 pieces of environmental legislation covered by the **Northern Ireland Protocol** to the UK Withdrawal Agreement are properly implemented in UK law and on the ground. Waste was a significant issue throughout the

negotiations, including for the implementation of multilateral agreements such as the **Basel Convention** on transboundary movements of waste. Seminars were held with the UK administration and the dynamic alignment of the Protocol was confirmed via the addition of the Single Use Plastics Directive.

With regards to **bilateral and regional cooperation**, Africa and the Western Balkans were areas of special focus, in line with the priorities of the European Green Deal.

While the 5th EU-African Union Summit and the related EU-Africa Business Summit were postponed, it was possible to make important progress on key environment policy priorities under the umbrella of the new EU's comprehensive strategy with **Africa**. The Forum on Environment, Climate Change, Sustainable Development and Water with **South Africa** discussed the deepening of bilateral relations in a number of areas, and negotiations on a climate/energy and environment partnership with **Morocco** were launched. Towards the end of the year, the 8th special session of the **African Ministerial Meeting on the Environment** provided the opportunity for Vice-President Timmermans to highlight the importance of the continent's green recovery and the EU's support to it.

In October, the Commission set out an Economic and Investment Plan and a **Green Agenda for the Western Balkans**. DG Environment contributed to elaborate this agenda, which includes actions around five pillars: climate change, circular economy, biodiversity, pollution and sustainable food systems. The Green Agenda was endorsed by the leaders of the region at the Western Balkans Summit in Sofia in November 2020.

2020 also saw a deepening of environment engagement with **Asia**, a region quick to seize the opportunities of virtual meetings. A high-level dialogue with **Japan** took place in April and was complemented with numerous exchanges and webinars as both sides agreed to work together towards greening the global recovery, an ambitious new global biodiversity framework and to deepen technical exchanges on the circularity transition. The **EU-India Summit** in mid-July identified a range of subjects for closer cooperation, including a common approach to the 15th Conference of the Parties of the Convention on Biological Diversity (COP15). A declaration establishing and EU-India Partnership on Circular Economy and Resource Efficiency was adopted. Due to the pandemic, the **EU-China Summits** planned for 2020 were replaced by a series of Leaders video-conferences that resulted in the establishment of a new High-Level Dialogue on Climate and Environment at Vice-Presidential level. Throughout the year, contacts at technical level focused on biodiversity in view of China's hosting of COP15.

Relations with **South East Asia** continued to evolve positively, anchored by the EU-ASEAN High Level Dialogue on Environment and Climate Change. The first half of 2020 saw intensive exchanges with **Indonesia**, related to its announcement of regulatory changes that would have violated the bilateral Voluntary Partnership Agreement on timber. In November, the EU-Indonesia Working Group on Environment and Climate Change convened for discussions focused on biodiversity and forests.



Bi-lateral High level relations were maintained as well with **Australia** and the **Americas**. In particular, the first high level dialogue since 2016 was convened with **Brazil**, in October 2020, in virtual format. While it showed that both partners approach the Amazon region and its sustainability from different perspectives, areas for further cooperation could be identified including in relation to water management. Relations with **Colombia, Chile, Peru** and **Mexico** deepened as all four countries continued to engage pro-actively with the EU and making their economies more circular. **Canada** remained a like-minded partner in various multilateral fora, sharing a concern for the sustainability of the development of the Arctic.

On **trade**, DG Environment participated actively in discussions on the implementation of the trade and sustainable development (TSD) chapters of EU Free Trade Agreements (FTA) aiming at fully integrating trade and environment and at limiting the environment externalities associated with the movement of goods and services around the globe. These included both internal discussions in preparation of the 2021 Trade Policy Review and the participation in TSD meetings such as with Canada, Central America, Colombia/Peru/Ecuador, Japan, Korea, Singapore and Ukraine. The DG was also participating in several rounds of ongoing FTA negotiations, *inter alia* with Indonesia, Australia, and New Zealand and in various WTO and OECD committee meetings with both institutions intensifying their interest in the circular economy transition.

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 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 reports below have been considered:

- the annual reports and declarations by AOD and AOSDs in which all financial (trans)actions are verified;
- the reports on control results from entrusted entities in indirect management such as the European Investment Bank (EIB) as well as the result of the Commission supervisory controls on the activities of these bodies, and participation as observer in the management board meetings of the Executive Agency for Small and Medium-sized Enterprises (EASME);
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level, and the contribution of the Risk Coordinator;
- the outcome of the DG ex-post audit plan 2020;
- the observations, recommendations and the conclusions on the state of internal control reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA);
- the annual review report of the DG Environment's Advisory Committee on public procurement (ENVAC);
- Periodic reports and dashboards to management on resource issues.

These reports provide a systematic analysis of the evidence available, give sufficient guarantees as to the completeness and reliability of the information reported and result in a complete coverage of the budget delegated to the Director-General of DG Environment.

This section covers the control results and other relevant elements that support management's assurance. It is structured into: (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of internal control systems, and resulting in (d) 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 objectives³². The DG's assurance building and materiality criteria are outlined in Annex 5. Annex 6 outlines the main risks

³² 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.

together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

OPERATIONAL STRUCTURE

DG Environment is structured around six directorates divided in units. By the end of 2020, the DG had 391 officials, 37 Seconded National Experts, 48 contract agents, 21 trainees and 12 intra-muros service providers.

FINANCIAL OVERVIEW AND MANAGEMENT PARTNERS

DG Environment is responsible for the implementation of the sub-programme for environment of the LIFE programme. Other expenditure includes the subsidies to the European Environment Agency (EEA) and the European Chemicals Agency (ECHA) and contributions to multilateral international environmental agreements, pilot projects and preparatory actions, as well as routine administrative expenditure. This represents a total budget of EUR 518 million in commitment appropriations and EUR 404 million in payment appropriations.

Most of the LIFE budget implementation is delegated to the Executive Agency for Small and Medium-sized Enterprises (EASME). In 2020, the total amount delegated by DG Environment to EASME or to other DGs amounts to EUR 366 million in commitment appropriations and EUR 250 million in payments. Supervision arrangements are in place, based on a memorandum of understanding and reporting obligations. EASME and the DGs receiving the funds report on the use in their own Annual Activity Reports.

The commitments and payment appropriations administered directly by DG Environment in 2020 amount to **EUR 152 million** and **EUR 154 million** respectively. The consumption of commitment and payment appropriations is very satisfactory **with implementation rates above 99%** at year-end³³. DG Environment implements its budget mostly through direct management, but some specific actions are implemented in indirect management mode.

The table below gives an overview of the budget implementation at 31/12/2020. A short presentation of the bodies that collaborate with DG Environment for the implementation of the budget and/or as recipients of contributions from the budget are provided in Annexes 7 "Specific annexes related to "Financial Management" and 12 – "Decentralised agencies".

CONTROL STRATEGY SUPPORTING MANAGEMENT'S ASSESSMENT

As the vast majority of the payments authorised in 2020 relate to ABB activity 0702- *Development and implementation of Union environmental policy and legislation* and 0701- *Support and management expenditure*³⁴, the assessment and the cost benefit analysis concentrate on those expenditures. The control strategies for grants and procurement under ABB activity 0702 are further explained in the Internal Control Templates (annex 6).

Payments under other ABB activities result from co-delegations received from other DGs. Most of this expenditure is implemented through grants. The control strategy is the same as for grants made under ABB activity 0702.

³³ Appropriations carried out automatically to the next budgetary year (e.g. payment appropriations for administrative expenditure, assigned revenue from recoveries) can be implemented in 2021. Therefore, they are deducted for the calculation of the implementation rates.

³⁴ See Annex 7, table "Overview of payments authorised in 2020 per budget line/ABB"

Financial overview DG Environment³⁵

Expenditure M €	Commitment Appropriations 2020	Committed 31/12/2020	Payment Appropriations 2020	Payments authorised in 2020
Administrative expenditure (budget line 07010211)	0,040	0,040	0,608	0,099
LIFE - LIFE completion (0702-01, -02, -03, -51)	64,184	63,588	71,170	70,940
LIFE support expenditure (07010401)	1,478	1,451	2,845	1,636
Contributions EEA (070206)	47,829	47,611	47,829	47,611
Contributions ECHA (07020501, 07020502)	3,082	3,057	3,082	3,057
Multilateral Env. Agreements (070204)	3,655	3,655	3,655	3,655
Preparatory Actions & Pilot Projects (070277 02-59)	16,167	16,026	5,065	5,039
Sub-Total ENV	136,44	135,43	134,25	132,04
Co-delegations CIP/EIP - GROW (020251, 020301)	0,230	0,000	0,230	0,000
Co-delegation MARE (110661)	4,007	4,007	4,802	4,802
Co-delegation AGRI (050460)	0,000	0,000	0,053	0,053
Co-delegations DEVCO (21020701, 21025106)	11,449	11,000	13,742	13,293
Co-delegations NEAR (22010401, 22020401, 220251)	0,005	0,005	0,741	0,736
Co-delegations CLIMA (34010401, 340203)	0,000	0,000	0,049	0,049
Sub-Total co-delegations received:	15,69	15,01	19,62	18,93
Sub-Total ENV + co-delegations received:	152,13	150,44	153,87	150,97
Administrative expenditure co-delegated to HR - PMO (07010211)	0,40	0,33	0,80	0,60
LIFE support expenditure co-delegated to DIGIT and BUDG (07010401)	0,36	0,36	0,69	0,56
LIFE co-delegated to COMM, DGT, DEFIS, GROW, JRC, NEAR, OP, SANTE (0702-01, -02, -03, -07027741)	3,13	3,13	1,16	1,16
Sub-Total co-delegations given:	3,89	3,81	2,65	2,31
Delegated to Agency EASME (070201, 070202, 070203)	362,28	362,28	247,53	247,53
Delegated to GROW for Agency EASME (07 01 06 01)	0,00	0,00	0,00	0,00
Sub-Total delegations to EASME	362,28	362,28	247,53	247,53
Sub-Total co-delegations given + EASME	366,17	366,10	250,18	249,84
GRAND TOTAL	518,30	516,54	404,05	400,81

³⁵ The discrepancies between the amounts indicated in the table and Annex 3 are due to the fact that the latter does not properly reflect the appropriations implemented as a result from co-delegation by other DGs.

The assessment by management is based on the results of key controls performed in 2020, notably ex-ante controls, on-site monitoring of LIFE projects by the external monitoring team and ex-post audits. The most relevant quantitative control indicators for 2020, compared to 2019 and 2018, are available in annex³⁶. Management's factual conclusion on the control results, their completeness and reliability is positive. Therefore, DG Environment reports reasonable assurance about the achievement of each of the relevant internal control objectives. No significant issue requiring a reservation has been identified.

DG Environment is overall satisfied with the cooperation with EASME, as well as the management of the LIFE projects entrusted to EASME. For the EIB's financial instrument Natural Capital Financing Facility (NCFF), due to the slow uptake of the loans by the final beneficiaries, the risk of irregularities or loss of assets is currently close to zero.

SPECIFIC REPORTING STEMMING FROM THE FINANCIAL REGULATION

The Financial Regulation³⁷ requires some elements to be reported in the AAR. Disclosed hereunder are the two relevant elements for DG Environment. In 2020, the DG established a 'confirmation of instructions' (FR art 92.3) case, when two Head of Units have been authorised to sign in blue ink procurement contracts and grant agreements, as well as amendments of those, on behalf of all the Authorising Officers of DG Environment. Furthermore, a case of "Derogations from the principle of non-retroactivity of grants - acceptance of costs incurred before the project grant application was submitted (FR art 193.2) has been accorded when DG Environment accepted retroactivity of a grant to the World Health Organisation (WHO). More information is available in Annex 7.

1. *Effectiveness = the control results and benefits*

- Legality and regularity of the transactions

DG Environment is using internal control processes to ensure the adequate management of the 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. The control objective is to ensure that the final amount at risk related to payments authorised in 2020 does not exceed 2%.

DG Environment's portfolio consists of segments with a close-to-zero error rate, i.e. contributions to EU agencies and procurement and a relatively low error rate, i.e. grants. This is, respectively, thanks to the inherent risk profile of the beneficiaries and funding modalities and the performance of the related control systems.

Thorough ex-ante controls apply to procurement-related transactions in DG Environment. In addition to the mandatory initiator/verifier controls of all commitments and payments, procurement specialists in the financial unit systematically provide advice and support the operating units, for the whole lifecycle of a contract, from the terms of reference until the final payment/de-commitment.

³⁶ See Annex 7, Table "Key control indicators for 2020"

³⁷ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

Also, the DG Environment procurement Advisory Committee (ENVAC) performs verifications of all contracts above EUR 500 000 and all framework contracts issued, all procurement contracts corresponding to European Parliament's Pilot Projects and Preparatory Actions (PPs and PAs), plus a sample of contracts of lower value, covering different procurement options (negotiated procedures, specific contracts under Framework contracts, etc.) and all DG policy areas. The value and type of procedures are the main factors of ENVAC's risk-based approach.

Therefore, reasonable assurance can be provided given the following cornerstones:

- robust ex-ante controls performed at various stages in the financial circuit;
- quality advice provided by procurement experts to the desk officers and authorising officers in the operational/policy units;
- independent and positive ENVAC verifications;
- guidance on how to deal with EDES (Early Detection and Exclusion System) cases, with IPR and training for officers participating in Evaluation Committees;
- no significant errors and weaknesses detected by the internal and external auditors.
- specific COVID-related risk assessments were conducted twice during 2020 to ensure the sound financial implementation. Mitigation measures have been put in place for the completion of contract signatures and for the execution of the ex-post audit programme of the DG. The majority of the impacts have been mitigated.

METHOD FOR ESTIMATING THE AMOUNT AT RISK AND THE RESIDUAL ERROR RATE (RER)

The estimation of the amount at risk is based on ex-post audits performed in 2020. The ex-post audit team initially sampled 30 of the 160 LIFE grants for which a final payment was made throughout 2019. The audited grants represent an audit coverage of 19% of the number of projects closed in 2019 and 35% of the total value of those grants. The sample is based on a random selection through the MUS methodology (Monetary-Unit Sampling).

However, the final error rate was calculated based on 20 out of the 30 planned MUS audits, because of serious delays in the deliverance of the audit reports by the contracted external audit firm. These difficulties were caused on the one hand by underperformance of the audit firm and on the other hand by significant delays by the beneficiaries in providing documents due to the COVID pandemic confinement periods. A rigorous monitoring of the contractor's performance and some remedial actions have been taken to ensure that the 2020 calculated error rate of 0,88% is representative.

The European Court of Auditors in its 2018 Annual Report and its review of the Commission's ex-post audits observed that the methodology for calculating the error rate leads to an understatement of the error rate, the extent of which could not be quantified. As a result, DG Environment has adapted its methodology for the calculation of the LIFE program error rate in line to the Court's observations. As a first step, the 2019 detected error rate has already been calculated using the new method. The 2020 detected error rate of 0,88% is also calculated accordingly. While the calculation of the RER is performed in accordance with the new recommendations starting of 2019, the residual error rate (RER) for 2020 is 0,74% and stays below the materiality threshold of 2%. Therefore, no reservation is necessary.

More details about the calculation of the error rates can be found in Annex 7.

ESTIMATED OVERALL AMOUNT AT RISK AT CLOSURE

DG Environment's relevant expenditure, estimated overall risk at payment, estimated future corrections and risk at closure are disclosed in Table X.

The **estimated overall risk at payment** for 2020 expenditure amounts to **1,934 M€**, representing **0,82%** of the DG's total relevant expenditure for 2020. This is the AOD's best, conservative estimation 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.

This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The conservatively **estimated future corrections** for 2020 expenditure amount to **0,330 M€**. This is the amount of errors that the DG conservatively estimates will be identified and corrected by controls planned to be carried out in subsequent years. The difference between those two amounts results in the **estimated overall risk at closure of 1,604 M€**, representing **0,68%** of the DG's total relevant expenditure for 2020.

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level in the AMPR.

FRAUD PREVENTION, DETECTION AND CORRECTION

DG Environment has developed and implemented its own anti-fraud strategy since 2013, on the basis of the methodology provided by OLAF, running updates every three years. The strategy was last updated on 16.11.2020 and subsequently presented to the Subgroup on Direct Management set up under the auspices of OLAF. Its implementation is being monitored and reported to the management of the DG ENV and to the Commissioner on an annual basis. The strategy includes eight actions out of which one has been already implemented (Minutes of the annual risk management assessment). The implementation of the remaining actions is in progress; their completion is expected by the end of 2021.

DG Environment also contributed to the Commission anti-fraud strategy by for example cooperating through the Fraud Prevention and Detection Network (FPDNet) and followed-up 100% of OLAF's financial recommendations, as the DG has accepted the six recommendations of recovery of funds in their entirety. Out of the six recommendations, one has been implemented successfully and the remaining five are at different stages of implementation.

The results achieved during the year can be summarised as follows: knowledge of fraud matters has increased as a result of a comprehensive fraud risk assessment exercise and awareness-raising through different means and fora (trainings, intranet information, internal consultation of the draft Anti-Fraud Strategy and its presentation and discussion in the Senior Management Board). In addition, corrective measures in form of recoveries of unduly paid amounts have been launched. A thorough analysis of the OLAF recommendations helped to better understand root causes.

Based on the available information, DG Environment has reasonable assurance that the anti-fraud measures in place are effective.

Table X - Estimated risk at closure

DG ENV	"payments made" (FY; m€)	<i>minus</i> new prefinancing [<i>plus</i> retentions made*] (in FY; m€)	<i>plus</i> cleared prefinancing [<i>minus</i> retentions released* and deductions of expenditure made by MS] (in FY; m€)	= "relevant expenditure " (for the FY; m€)	Average Error Rate (<i>detected error rate</i>)	estimated risk <i>at payment</i> (FY; m€)	Average Recoveries and Corrections (<i>adjusted</i> ARC; %)	estimated future corrections [and deductions] (for FY; m€)	estimated risk <i>at closure</i> (FY; m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing	as per ABAC DWH BO report on prefinancing	= (2) +/- (3) +/- (4)	Detected error rates, or equivalent estimates	= (5) x (6)	H-ARC (as per ABAC DWH BO report on corrective capacity), <u>but adjusted</u>	= (5) x (8)	= (7) - (9)
1. LIFE & LIFE Completion; grants	34,785	8,61	110,83	137,005	0,82%	1,123	0,14%	0,192	0,931
2. Other grants; contr. agencies	51,34								
3. Procurement	45,911								
4. Co-delegations received	18,935								
Total 2, 3 and 4	116,186	61,282	43,983	98,887	0,82%	811	0,14%	0,138	0,673
Delegated to EASME + co-delegations	249,84								
DG total	400,81								
<u>Only for Parent DGs of EAs: 'Net' total, i.e. after deduction of the subsidies to EAs ²</u>	150,97	69,892	154,813	235,892	0.82%	= X mEUR; and a% of (5) 1,934	0.14%	= Y mEUR; and b% of (5) 0,330	= Z mEUR; and c% of (5) 1,604

Notes to the table X

(1) Differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.

In all cases of Co-Delegations (Internal Rules Article 3), "payments made" are covered by the Delegated DGs. For Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department). "Pre-financing" is covered as in the context of note 2.5.1 to the Commission annual accounts (i.e. excluding "Other advances to Member States" (note 2.5.2) which is covered on a purely payment-made basis). "Pre-financing paid/cleared" are always covered by the Delegated DGs, even for Cross-SubDelegations.

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').

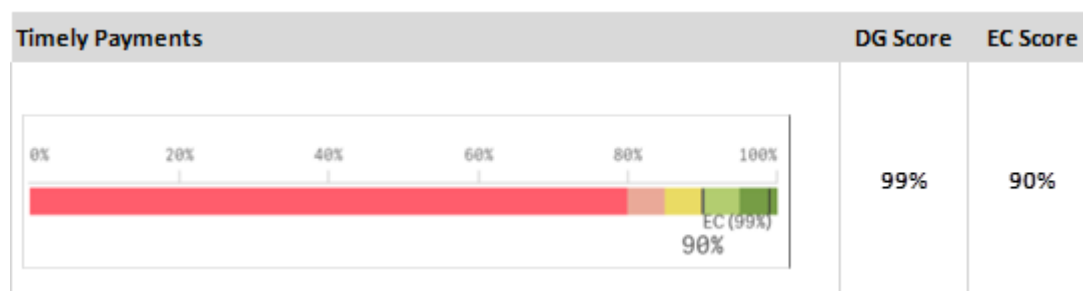
(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (*see the ECA's Annual Report methodological Annex 1.1*), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the average detected error rates for the last five years have been used, calculated using the previously used methodology (please refer to the following section hereabove: "METHOD FOR ESTIMATING THE AMOUNT AT RISK AND THE RESIDUAL ERROR RATE (RER)")

(8) The average percentage of corrections expressed by dividing the sum of recoveries issued (2016-2020) by sum of payments issued (2016-2020).

2. ***Efficiency = the Time-to-... indicators and other efficiency indicators***

Time to pay: DG Environment paid on time 90% of the total amount paid in 2020, which is below the Commission global performance (99%). This is mainly due to subsidy payments DG Environment regularly (monthly) pays to the European Environment Agency. Due to the negative interests applicable to money deposits in Denmark, the Agency requested to receive its payments on specific dates, in order to avoid negative interests on their bank account. This has resulted in the first payments of 2020 to be delayed, as the 30 days of the legal deadline could not be respected. As a remedial measure, the EEA now issues their request later to allow sufficient time up to the set date of payment (see annex 7).



Time to grant: In 2020, DG Environment established a number of grants and agreements under direct and indirect management. The average time to grant was 4,1 months (from the final date of submission of the complete proposals to the signature of the grant or agreement).

Time to procure: In 2020, DG Environment procured contracts on average within 4,4 months for Open Calls, whereas for the few negotiated procedures of Low or Middle Value the time was 3,75 months. Specific contracts under the various Framework contracts of DG ENV or other DGs that DG ENV is using are procured normally within 1,75 months (8-9 weeks).

3. ***Economy = the estimated cost of controls***

CONTROL EFFICIENCY AND COST-EFFECTIVENESS

DG Environment uses a set of controls to improve the performance of its procurement system and to establish that risks in financial management have been minimised to the extent possible for both procurement and grants. The DG verification team does not only verify transactions but intervenes upfront in the procurement and grant phase by verifying tender specifications and calls for proposals, guarantying the quality of the tendering procedures. From 2019, this practice extended to the requests for specific contracts above the value of EUR 150 000. Furthermore, the ENVAC committee systematically controls independently the quality of procurement files and particularly those of high risk.

From 2017, DG Environment make full use of a simplified circuit for low-value transactions (below EUR 15 000 and 5 000), under which the role of the verifier and the AOS has merged. In 2020, 50 low-value payments executed using this simplified circuit. The reduction observed in relation to the number reported last year is due to the radical reduction of low-value payments for conferences, meetings, invited experts, etc. in 2020, due to the Covid-19 pandemic.

The total cost of controls, for procurement and grants, stands at **EUR 2,26 million**³⁸.

4. Conclusion on the cost-effectiveness of controls

OVERALL CONCLUSION ON THE COSTS OF CONTROLS

Based on the most relevant key indicators and control results, DG Environment 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.

The control cost effectiveness is assessed by comparing the control costs over budget managed (payments made in 2020).

Expenditure (in M EUR)	Grants and Financial Instruments	Procurement	Total Payments made in 2020
Total expenditure	102,62	48,35	150,971
Costs of control	1,76	0,50	2,26
Costs over expenditure (%)	1,72%	1,03%	1,55%

Overall, the ratio of costs of controls (EUR 2,26 million) to the payments made (EUR 150,97 million) of **1,55%**, indicates that the controls carried out for the financial transactions were cost effective during the reporting year.

Benefits of Controls: The costs of the controls made, both for procurement and grants, are matched against benefits that are derived from:

- savings during the ex-ante phase (where, the full amount dedicated to a call not having been consumed, the balance becomes available for re-use), and
- the supervisory/ex-post checks performed during the running life of a procurement contract or a grant agreement on payments (resulting in a reduction of the amount finally paid as corrections of any detected errors).

Apart from these quantifiable benefits, the control of procurement procedures means that in 2020 DG Environment has avoided reputational costs and damages, and has not faced any legal action and complaints to the European Court and the European Ombudsman.

In addition, there are a number of non-quantifiable benefits resulting from the controls applicable during the programming phase, aimed to ensure that the financed projects contributed to the achievement of the policy objectives, and from the deterrent effect of ex-post controls. Furthermore, DG Environment considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they were not in place. In conclusion, the control system in place is effective and efficient.

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

³⁸ Cf. annex 7

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)

Based on the IAS work undertaken in the period 2018-2020, the IAS concludes that the internal control systems in place for the audited processes in DG Environment are effective, except for one observation giving rise to a 'very important' recommendation³⁹ and ⁴⁰.

For the audit on "International activities in DG ENV", the auditors consider that the lack of formalised working arrangements between DG ENV and DG DEVCO regarding the management of voluntary partnership agreements, may lead to common issues not being identified and acted upon in a consistent and timely manner. The auditors consider that this could also result in key information being lost and may pose a threat to business continuity.

DG ENV is working closely with DG DEVCO to address this recommendation, which is expected to be fully addressed in the first half of 2021.

Considering the advancement of the work to address the findings, this recommendation does not have a significant impact on the assurance.

European Court of Auditors (ECA)

DG Environment is principally concerned by chapter 7 of the ECA Annual Report 2019, but there is no specific mention of the DG in the report. In line with ECA's new approach, there is no assessment of the level of error for the area of 'rural development, market measures, the environment, climate action and fisheries'. The estimated level of error for the Natural Resources chapter is 1,9%, thus below the materiality level of 2%.

The European Court of Auditors issued a clean statement of assurance on the DG ENV Accounts for 2019.

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 Environment 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.

ANNUAL ASSESSMENT OF THE INTERNAL CONTROL PRINCIPLES

Based on the internal control indicators set out for 2020, the interim assessment of the state of internal control in DG Environment did not identify any major deficiencies. There is scope for improvement in some areas and the DG therefore considers its internal control system as partially effective. However, DG Environment is confident of having the necessary procedures, staff skills and experience to identify and manage the main

³⁹ 1) Audit on international Activities in DG Environment

⁴⁰ Annex 7 ; IAS

operational, financial and legal/regulatory risks and successfully address any shortcomings during 2020. This conclusion is based on a thorough review of all available information (please see annex 8).

DG Environment has 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 related to:

- Needs for increasing the **staff mobility**;
- Enhancement of efforts to promote a **flexible and dynamic work environment**;
- Formalising working arrangements between DG Environment and DG DEVCO for the management of voluntary partnership agreements (IAS recommendation rated “Very important”).

2.1.4 Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed, which are a systematic analysis of the evidence available. No significant information has been omitted. 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 AOD, in this case the Director-General of DG Environment.

To a large extent assurance for the LIFE is based on the results of ex-post controls and the on-site monitoring of LIFE projects. The measures taken in recent years to decrease the LIFE error rate are effective. Additional assurance is obtained from the mandatory controls of all procurement commitments and payments, but also from the annual declarations of the Authorising Officers by Sub-delegation, where they confirm that the transactions they authorised in 2020 were correct. Just two non-compliance events were recorded in 2020. Thanks to these efforts – which are now the standard – the likely “amount at risk” in relation to transactions authorised in 2020 is below the materiality threshold of 2%.

The audit work performed by the IAS in 2020 concluded that the internal control systems audited are partially effective since one ‘very important’ recommendation is to be addressed, in line with the agreed action plans, which DG Environment is implementing.

DG Environment closely monitors the open recommendations from ECA’s special reports. The work of ECA, as well as progress towards meeting the Court’s recommendations is reported regularly to DG Environment management and the Commissioner. These open ECA recommendations do not affect the assessment of the internal control system.

There is good cooperation with EASME, which reports and gives assurance for the part of the LIFE programme it implements in the EASME’s AAR. The management of the remaining LIFE legacy in DG Environment became more difficult in 2020 due to the lack of staff, the Covid-19 confinement that did not allow for on-the-spot missions and the incremental work on preparing the new LIFE Regulation; however, a further reorganisation of the work and arrangements within the DG provided a response.

Considering the points above, no reservation is warranted for 2020 and no events have occurred that would alter this opinion. DG Environment has implemented all possible ex-ante and ex-post controls and confirms that they remain cost-effective. Therefore, under the prevailing risk environment and from a managerial point of view, DG Environment's AOD can sign the Declaration.

Overall Conclusion

In conclusion, 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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

I, the undersigned,

Director-General of DG Environment

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁴¹.

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 institution.

Brussels, 30 March 2021

[Signed]

Florika FINK-HOOIJER

⁴¹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.2 Modern and efficient administration – other aspects

2.2.1 Human resource management

2020 has been a very challenging year in terms of HR management. For DG Environment, it started with a difficult mismatch between priorities and resources, as the staff reductions of recent years⁴² were in painful contrast with the priority outputs to be delivered under the **European Green Deal**. This was exacerbated by the **Covid-19** lockdown.

Increasing efficiency while learning **new ways of working** – including tools to better communicate, meet and collaborate online – became the focus of the DG Business team, supported by the IT unit and the internal communication team. Staff engagement and **work-life balance** were also amongst the concerns identified. **Internal communication** on the DG's policy achievements was key to maintain the team spirit.

With this in mind, the DG started developing its **local HR Strategy**. An internal Committee composed by the Director General, the Deputy Director General, the Director of Resources and the Business Correspondent met on a weekly basis to discuss crucial matters such as **resources allocation, resilience** and **ageing**⁴³. In the field of **equal opportunities**, the DG has systematically meet its targets and continues and paying special attention to keep the balance.

2.2.2 Digital transformation and information management

An open, inclusive and cooperative way of working is the basis of this Commission's ambition to become a digital, agile, flexible and transparent administration. With this in mind, in 2020 DG Environment established a **Data, Information and Knowledge Management Action Plan** and **Governance framework**, in line with the corporate governance and data policies. The two main actions developed in 2020 were the creation of a data platform and of a green dataspace.



During 2020, the **DG data platform** received six additional data sets related to the 8th Environment Action Programme and implemented new visualisation tools (charts, maps and lists). Several **new reporting flows**, stemming from legislative obligations, were implemented and a prototype was delivered to support electronic data exchanges under the upcoming revised Waste Shipment Regulation. All **security plans** were updated following the new ITSRR methodology, including a full risk assessment.

At the same time, progress was made towards the development of a **green data space**, e.g. through a renewed cooperation **with knowledge partners** in the Environment

⁴² By end 2019, compared to 2015, the human resources of the DG had decreased by 15% for officials and TA and 17% for credits (other staff), including the externalisation of the management of the LIFE Programme to EASME.

⁴³ During the last mandate, average age has increased from 45.2 to 47.2 years (1/06/2019).

Knowledge Community, with the aim of improving the creation, exchange and interoperability of environmental data and knowledge to support the European Green Deal.

Under the **Data Protection Action Plan**, several steps were taken to raise awareness and ensure full compliance⁴⁴. Data protection information was included in the DG welcome pack for newcomers, training and campaigns were organised. In addition, all relevant records identified in the DG were published on the Data Protection Officer's public register and an internal mechanism was defined to establish an inventory of processing agreements with external processors. The current data protection legislation allows **international transfers** of personal data in principle, if the Regulation (EU) 2018/1725 is complied with and EU standards for the protection of the rights and freedoms of the data subject are guaranteed. In this context, the invalidation of the EU-U.S. Privacy Shield (the Schrems II judgement) poses concrete challenges. Where applicable DG Environment will continue to assess its processing activities in light of the requirements of the Schrems II ruling, in coordination with relevant Commission services and IT governance bodies, as well as the Data Protection Officer

2.2.3 Sound environmental management

The European Green Deal has stressed the importance of reducing the environmental impact of the institution, in the framework of the [Commission's Eco-Management and Audit Scheme](#) (EMAS). In 2020, DG Environment continued the implementation of the **EMAS Action Plan** adopted in 2019. At the core of this plan stands raising awareness.



DG Environment's EMAS team worked with DG HR to organise a voluntary **Zero pollution week** in the Commission, and organised a **litter removal day**, in coordination with the Communes of Schaerbeek and Woluwe Saint Pierre. On 24th June, an online workshop called **Greening DG Environment**, was organised to help enhance the EMAS plan with new ideas from staff, while building up engagement.

In 2020, DG Environment, in cooperation with DG Climate Action, supported the Commission services in charge of procurement to integrate environmental requirements into corporate procurement activities. Overall, the main targets set on paper use, electricity consumption, emissions reduction were all overpassed. However, due to the dramatic effects of the Covid-19 pandemic, the trends observed in 2020 cannot be necessarily counted as results of these EMAS activities.

⁴⁴ C(2018) 7432 final and Regulation (EU) 2018/1725

2.3 Examples of initiatives to improve economy and efficiency of financial and non-financial activities

Linked to the **Covid-19** crisis, DG Environment accelerated its transition to full electronic (paperless) procedures. In 2020, the DG revised its **internal procedures** to align them to the new Commission's working methods. Simplification and the use of electronic workflows were also enhanced. Videoconference and other forms of **online meetings** and **collaborative software** were used to ensure business continuity during the lockdown.

Procurement procedures were handled fully electronically, mainly through the corporate PPMT e-procurement tool; framework contracts were also managed by digital means, including electronic submission of offers, invoices and digital signature of contracts and amendments. The use of the e-signature in Ares was generalised for all financial transactions and correspondence that do not need blue ink. As regards the **LIFE programme**, efforts to streamline procedures for the management and implementation of the new programme in the coming MFF period continued, in cooperation with DGs Climate Action and Energy. These included *inter alia* multi-annual financing decisions allowing for greater flexibility and less administrative burden and the simplification of the budget nomenclature.

A collaborative, more dynamic allocation of **human resources** was promoted, based on colleagues providing support to different units, depending on the relative workloads. Several internal calls for expression of interest were launched to encourage staff to get involved in developments outside their assignation units. The revision of the Batteries Regulation, completed in record time thanks to the temporary secondment of three colleagues from other units, is a good example of what the DG intends to achieve.