

Comments on the Proposal for the Performance Regulation¹ and Proposals for a Profound Change

by Clean Air Action Group

A. Comments

The Proposal for the Performance Regulation seems completely unfit for its stated purpose („Access to clear, reliable and timely information about how the budget of the Union ... is being used and what is achieved thanks to its support...”)

The overwhelming majority of the indicators (ANNEX 1) are inadequate for any reasonable evaluation of the outputs of the support. In most cases, they do not provide any usable information on the achievements relating to CCM, CCA, ENV or SOC. Furthermore, quite a number of Policy areas in ANNEX 1 contradict the CCM, CCA, ENV or SOC goals. Below, we provide only a few concrete examples from 8 Policy areas.

1) Policy area “Business support”

Quantity instead of quality

The indicator “Number of enterprises supported.” (row 63, etc.) does not allow a meaningful assessment of the effectiveness, nor the additionality or EU added value of the interventions, and does not show whether there were any CCM, CCA ENV or SOC. benefits of the support. There is no indicator of what the support intends to achieve, it only captures a quantitative volume. Simply increasing the number of enterprises and creation of jobs cannot be the only aim of the support as projects can quickly show high numbers, but these numbers will not reflect complex, long-term results on CCM, CCA ENV, or competitiveness. Reliance on a purely numerical count of the enterprises supported risks incentivising absorption capacity without reaching any meaningful impact.

¹ COM_2025_545_1 Proposal for a Regulation of the European Parliament and of the Council establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities, https://commission.europa.eu/publications/budget-expenditure-tracking-and-performance-framework_en

Furthermore, this type of support might as well harmfully distort the market. It might occur that companies which prepare better applications will receive the support and not those which actually produce better products or services from an environmental or any other point of view. It also creates an unfair competition environment for those who have created and operated businesses with their own financial capacities and risks (including bank loans) without access to public funding.

The indicator “Number of jobs created” (row 63, etc.) does not show the quality of the jobs created which is much more important than quantity. Without qualitative or result-oriented indicators, the current formulation risks incentivising short-term job creation over sustainable labour market employment. Without indicators that secure measurable public interest objectives, there is a risk of displacement, whereby new jobs created at the supported enterprises could reduce employment levels in the wider labour market, particularly at enterprises that did not receive support. Thus, the overall number of jobs in the EU might not increase. Even the number of quality jobs might not increase.

The indicators “Number of actions funded on corporate sustainability” and “Number of actions funded on responsible business conduct” (row 64) are questionable output indicators too. They neither indicate anything about the results of the intervention, nor provide any measurable improvement in sustainability, nor relate to any of the mandatory result indicators (no information on how much they contributed to CCM, CCA ENV or SOC). They risk incentivising a high volume of low impact or even meaningless administrative actions.

Paying the polluter

The Intervention field “Support to industries (textiles, chemicals, fertiliser plants, cement/lime/plaster, basic metals) in third countries” (row 69) raises questions regarding additionality and alignment with the EU’s climate targets. These industries fall under the CBAM, which already impose decarbonisation obligations, therefore funding should not simply compensate (subsidise) compliance with existing legal obligations.

The Intervention field “Decarbonisation in energy-intensive industries” (70) also raises questions regarding additionality and alignment with the EU’s climate targets. These industries fall under the ETS, which already impose decarbonisation obligations, therefore funding should not simply compensate (subsidise) compliance with existing legal obligations. If support merely offsets costs that firms would have to bear anyway, additionality may be very weak. Moreover, since fossil fuels have been heavily subsidised, they should receive no more public money, as that would merely prolong carbon-intensive production models or delay necessary market restructuring. CBAM is created to prevent carbon leakage by reducing incentives for relocation of relevant industries outside the EU. Further subsidy may prevent some more polluting business from going to bankrupt, and it would also stop more competitive businesses to enter to the market. The agony of obsolete businesses should not be prolonged with public money. Public funding should facilitate transformation toward climate neutrality.

The above is also relevant for most of the Intervention Fields starting with “Manufacturing”.

2) Policy area “Culture, tourism and media”

Quantity over quality

The indicator “Number of laws adopted or entered into force” indicator (row 92), as well as all the other similar indicators, does not provide information on impact of these laws but simply indicate a high number without any qualitative requirements. It does not assess the effectiveness, quality, or policy impact of the adopted measures. A simple numerical count cannot reliably reflect the scale or depth of the reforms. From an EU climate target point of view, the absence of mandatory result indicators measuring greenhouse gas and pollution reductions, or positive biodiversity outcomes, can lead to laws being adopted that contradict EU policy objectives.² This indicator also raises concerns about comparability across Member States, given that legislative structures differ. While some jurisdictions consolidate multiple reforms into a single act, others adopt similar measures through several separate legal acts.

Paying the polluter

The Intervention field “Tourism financial support” (row 94) is also highly questionable. Overtourism and related investments in Europe have already caused serious environmental damages and increased social tensions.³ The tourism industry has been thriving according to Eurostat data: the number of nights spent in EU27 tourist accommodations increased from 2 billion in 2005 to 3.1 billion in 2025. This growth should not be supported further, and by no means should it be stimulated with public money. Thus, all intervention fields that would contribute to the growth of tourism should be deleted.

3) Policy area “Education and skills”

Quantity over quality

The indicator “Number of laws adopted or entered into force” (row 92) does not provide any information on the effect of these laws, nor the intended impact of these laws.⁴

Paying the polluter

The Intervention field “Development and construction of other buildings” (row 122) shows that more damage is caused to the environment and more CO₂ is emitted into the atmosphere as these are inevitable impacts of new constructions. Moreover, in many Member States, population, especially the number of children, is decreasing, therefore it is highly questionable that new educational buildings should be built at all. Even more so, because in several countries, most of the existing school buildings are energy-inefficient and some of the even lack proper

² For example, in the last 15 years numerous laws have been adopted in Hungary that restricted media freedom, enhanced disinformation and/or had a detrimental effect on cultural life.

³ See, for example: <https://cz.boell.org/en/2022/03/11/wide-protests-unfolding-against-investments-threatening-hungarys-great-lakes>

⁴ For example, in Hungary, the public education system was ruined with EU money: https://www.levego.hu/sites/default/files/Hungarian_public_education_ruined_with_EU_money.pdf

maintenance, and therefore funding and labour forces should be directed to the renovation of existing buildings instead of new constructions.

4) Policy area “Effective public administration”

Quantity over quality

The indicators “Number of counterfeit euros detected” and “Number of illegal workshops dismantled” (row 140) are very ambiguous. It is not clear, for example, whether a low number proves that the authorities did an excellent activity and prevented a lot of fraud, or to the contrary, they did a poor job and failed to discover most of the fraudulent activities. Furthermore, it is not clear either how to distinguish the results of EU funded activities from nationally funded activities and the effect of legislative changes.

5) Policy area “Energy”

Paying the polluter

The Intervention field “Manufacture of renewable fuels of non-biological origin for consumption as fuel in the aviation sector or maritime sector, except hydrogen” (row 162). is inappropriate as the aviation and maritime sector has already received enormous amount of subsidies even though they are among the most polluting sectors. Therefore, they should not be subsidised anymore. They should be forced to implement the required changes by appropriate regulations from the profit they have already made.

The Policy area “Carbon capture and storage” (rows 167-171) is inappropriate, since in light of the climate emergency, it is very doubtful that CCS can make any meaningful contribution to reducing the CO₂ concentration in the atmosphere. Moreover, there are more cost-efficient methods which would reduce CO₂ emissions in the first place. Therefore, no public money should be invested in CCS.

6) Policy area “Housing and infrastructure”

Paying the polluter

The Intervention fields “Development and construction of new zero-emission or nearly zero-emission buildings” (rows 304-306) also lead to negative environmental impacts. Construction activities inevitably damage the environment. Moreover, most of the EU’s existing building stock, especially in CEE countries, are old and in urgent need of renovation to improve their energy efficiency. Therefore, the relevant subsidies should be allocated to improving the energy efficiency of existing buildings, rather than building new ones.

7) Policy area “Rights, equality and justice”

Quantity over quality

The indicator “Number of civil society organisations supported” (row 424) might also lead to undesirable results. It might even occur that mainly those civil society organisations will be supported which work against the EU’s aims.⁵

8) Policy area “Transport”

Paying the polluter

Air transport, maritime transport and motorised road transport have already received enormous amount of subsidies even though they are among the most polluting sectors. Therefore, they should not be subsidised anymore. They should be forced to implement the required changes by appropriate regulations.

B. Proposals

As the above examples demonstrate, the Proposal for the Performance Regulation is totally unfit for the purpose.

The proposed performance framework relies heavily on output indicators without adequately measuring long term structural, sustainable and transformational impact that are required to achieve EU’s climate goals. The indicators in the proposal capture activity, quantity and not the quality. The objective of simplicity resulted in a framework that does not assess additionality, environmental performance, or required social outcomes. In its current form, Annex I risks privileging what is easy to count over what is important. It creates short-term, easily measurable results with very little or no benefit for society and for the environment and climate. In their current form, these indicators may also generate market distortions if not accompanied by strong additionality and impact criteria. A performance framework that does not clearly link support to demonstrable social and environmental interest outcomes may therefore undermine both policy credibility, effective resource allocation.

Moreover, it would not help much, even if the indicators were perfect, for the following reasons:

- The Commission does not have the capacity to assess and control the individual investments proposed by the Member States, as there are too many of these, and a lot of stakeholders are involved. Thus, as practice has proven, there is an enormous risk of the inefficient use of public money, overpricing, mismanagement and even corruption.
- There will be no guarantee that state subsidies for such investments will not crowd out more cost-efficient private investments. In Hungary, for example, many investments

⁵ For example, in Hungary, the government generously finances those “civil society organisations” which were created by persons close to the ruling party (Fidesz) and whose main activity is the dissemination of government propaganda, while independent civil society organisations receive practically no funding from the government.

funded with EU money have been completely unnecessary – many investments supported with public money would have taken place even without such support.⁶

- Even if these investments could be considered as supporting the CCM, etc. goals, there will be no guarantee that they will be the most efficient investments (i.e., there might be a substantial opportunity cost). Moreover, as practice has proven, there is no guarantee either that a large portion of the money spent on such investments will not be swallowed by corruption/mismanagement.
- Most importantly, even if the selected investments will contribute to CCM, etc., there is no guarantee that the given country's overall performance will be satisfactory. Even the opposite might happen: the country might proudly display these investments, while massively investing in, or subsidising activities which damage the climate and make adaptation even more difficult.

For the above reasons, the best way forward is the method that has been practiced by the Commission already in the case of the Recovery and Resilience Facility: reforms must be fulfilled and milestones achieved on national level. The Commission should use its resources to precisely and thoroughly define the reforms and milestones and strictly enforce them (among others, by making payments a condition of their fulfilment).

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The opinions put forward in this document are the sole responsibility of Clean Air Action Group and do not necessarily reflect the views of the other project partners or BMUKN.

⁶ See, for example,

https://www.levego.hu/sites/default/files/opinions_EU-funding_Hungary_2022March.pdf
<https://socialeurope.eu/hungarianbusinesses-as-eu-rentiers>