



Guidance on applying the ‘do no significant harm’ principle under the 2028-2034 multiannual financial framework

We welcome the opportunity to provide input on the [consultation](#) regarding the application of the "Do No Significant Harm" (DNSH) principle, as outlined in [Article 5](#) of the proposed Performance Regulation. Our feedback emphasizes the urgent need to align the DNSH guidance with the phase-out of fossil fuel subsidies, a critical step for achieving the EU’s climate and environmental objectives.

Alignment with fossil fuel subsidy phase-out

Fossil fuel subsidies are fundamentally incompatible with the DNSH principle, as they perpetuate environmental harm, distort markets, and contradict the EU’s commitment to climate neutrality by 2050. The [8th Environmental Action Programme](#) and, more recently, the [Advisory Opinion of the International Court of Justice](#) (2025) both underscore the need to phase out fossil fuel subsidies without delay.

The upcoming framework to phase out fossil fuel subsidies (due in Q4 2026) should be taken into account when developing DNSH guidance.

We recommend the following:

- **The DNSH guidance must include a clear and binding exclusion of all fossil fuel subsidies**, including all direct and indirect support for fossil fuel infrastructure, production, and consumption. This should be reflected in the "specific criteria at the level of relevant policy areas" (Article 5(2)) and under "activities that are considered to do significant harm to one or several environmental objectives and can therefore not be financed from the EU budget" to ensure no EU funds are allocated to subsidise, directly or indirectly, fossil fuels.

On exemptions

The DNSH guidance (Article 5(3)) allows for exemptions in "crisis situations" or "overriding public interest". While flexibility is necessary, such exemptions must not become a backdoor for continued fossil fuel subsidies.

STOP FOSSIL SUBSIDIES

Exemptions must be limited to genuinely exceptional circumstances, with strict conditions and time-bound derogations. Any exemption must be subject to rigorous scrutiny and public justification, **including prior Commission approval**. As for fossil fuel subsidies, these exemptions should be allowed only under the following circumstances:

1. The subsidy is the only feasible short-term solution to prevent a systemic energy crisis (e.g. concrete and imminent risk of black-outs); i.e. no other alternative policy option can realistically address the problem.
2. The subsidy is time-bound (max. 12 months) and includes a binding phase-out plan.
3. The subsidy is paired with investments in clean alternatives and a plan to reduce fossil fuel dependencies, avoiding a new crisis in the future.

Energy security

Regarding excluding the application of the DNSH principle in relation to “security activities” (Article 5(3), para 2), the guidance should clearly define what these “security activities” entail.

This warrants a more in-depth discussion of the concept of “energy security” in the DNSH guidance.

We recommend the following:

- **Fossil fuel subsidies (e.g., direct or indirect support for coal, oil, or gas production, consumption, and infrastructure) cannot be classified as “security activities” (Article 5(3) para 2) under any circumstances.**
- **Exceptions for fossil fuel subsidies are only permissible in strictly defined, time-bound emergencies,** under Article 5(3), para 1 (e.g., short-term measures to address acute supply shocks), as mentioned above.