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David

Multiannual Financial Framework (2014-2020)

Thank you for your letter of 13 November regarding the European Council discussion of the next Multiannual Financial Framework (MFF). I am writing to set out the Government's overall position and views on the points you have raised.

As you will know, the Prime Minister attended European Council in Brussels in late November to discuss the MFF. The November European Council was unable to reach agreement on this issue. The deal on the table was not good enough and that is why we and others rejected it. This Government rejected a proposal that would have risked UK taxpayers paying for unaffordable increases in the EU's annual budgets. We did so together with like-minded allies from a number of countries.

In terms of overall strategy, the UK's objective for EU spending in the seven year EU Budget framework remains clear: we want to see spending reduced and will insist on at worst a real-terms freeze. We are not going to be tough on budgets at home and then sign up to increases in European spending in Brussels.

On Own Resources we have been absolutely clear. The UK abatement is not up for negotiation. We will oppose any changes to the UK abatement and new EU taxes to fund the EU Budget.



Within these priorities, we have been clear about the action needed in specific areas of the budget. I am grateful for your views, which I address in turn below.

On the Common Agricultural Policy, the Government wants to see a very significant reduction in the CAP budget, with reductions focussed on Pillar One (Direct Payments) and leaving Pillar Two (Rural Development) with a larger share of a smaller CAP budget.

Also within the second Heading of the budget, you raise the question of funding levels for the LIFE programme. We have been clear that the UK Government's top priority is budgetary restraint, and that the EU budget must contribute to domestic fiscal consolidation. We do not therefore support the Commission's proposed increase to the LIFE Programme budget.

Regarding external expenditure under the fourth Heading of the budget, The UK considers that Heading 4 expenditure is a priority area and, while the UK's overall objective is to reduce budget size, we consider that this area should have a proportionately larger share of a restrained budget. However, reductions are needed from the level proposed by the Commission for Heading 4.

On low-carbon growth, while the UK's overall objective is to restrain budget size, we consider that spending on climate change should have a proportionately larger share of EU spending. Climate change spending is a priority area in order to help facilitate Europe's transition to a low carbon economy

We believe a deal in 2013 is still achievable. We will continue to fight hard for the best deal for Britain.

With warm regards
Greg

RT HON GREG CLARK MP
FINANCIAL SECRETARY TO THE TREASURY