



To: EU Finance Ministers

cc: Members of the Joint EPC-EFC Working Group on Climate Finance under the ECOFIN

Dear Minister,

We, Climate Action Network Europe, take this opportunity to write to you to stress the important role of the forthcoming ECOFIN meeting on 9 June to strengthen the EU position in the negotiations towards a climate agreement in Copenhagen. The international climate negotiations require that the EU delivers proposals on the scale and the framework of climate finance for developing countries in June. The EU should not postpone presenting its proposals since climate finance is both a highly technical and politically sensitive issue. Any delay would jeopardise the chances to secure a legally binding climate agreement during the Copenhagen meeting.

Without substantial and upfront commitments of financial resources from industrialised countries, a continued stalemate in the negotiations towards a Copenhagen agreement becomes inevitable.

As the Stern Report shows, climate change is a major threat to our economy. Without adequate and urgent actions on mitigating greenhouse gas emissions, according to this report, we will face a loss of up to 20% of our GDP. Furthermore, the International Energy Agency indicated that without a reform of the world's energy economy, oil prices could move back to the high levels of 2008. Yet there appears to be no corresponding mobilisation of resources around the climate and energy crisis facing our planet. The cost of uncontrolled climate change will be significantly higher than the scale of financial contributions discussed today to address the financial crisis. Any further delay will not only increase costs but also the likelihood that millions more vulnerable people around the world will suffer from severe climate impacts for which they are least responsible.

European NGOs ask that the EU publicly endorses an overall scale of financing, required for mitigation and adaptation support to developing countries, well in excess of €110 billion per year by 2020. The EU must urgently define its "fair share" of this total, by committing to a minimum contribution of at least €35 billion per year in public financial support to mitigation, adaptation, capacity building and technology co-operation in developing countries. The predictable and timely delivery of these resources must be ensured through appropriate legally binding mechanisms agreed under the UNFCCC.

Dear Minister, this is in your hands and the world is waiting for you and the EU to adopt strong financial measures to build clean energy economies, reduce deforestation, and adapt to changes in the climate. Please find in the attached annex European NGO proposals on the key elements of an EU position following the June Council which can unlock the current negotiations and re-establish the European global influence that is so urgently needed.

Yours Sincerely,

Matthias Duwe,
Director
Climate Action Network Europe

Annex: NGO PROPOSALS ON EU CLIMATE FINANCING

THE SCALE OF PUBLIC FUNDING REQUIRED AND EUROPE' S FAIR SHARE

- European NGOs ask that the EU publicly endorses an overall scale of financing required for mitigation and adaptation support to developing countries to be well in excess of €110 billion per year by 2020.
- The European Commission estimated that additional energy-related mitigation costs in developing countries are €48 billion¹ per year, forest-related mitigation costs in developing countries are €18 billion² per year and agriculture-related mitigation costs in developing countries are €5 billion³ per year by 2020, totalling €71 billion per year. In addition, estimates of adaptation costs in developing countries vary, but are expected to reach a minimum level of €40 billion⁴ per year.
- The EU must urgently define its “fair share” of this total, by committing to a minimum contribution of at least €35 billion per year in public financial support to mitigation, adaptation, capacity building and technology co-operation in developing countries. This represents around one third of the overall finances required from industrialised countries: in line with the EU's capacity to pay (GPD share); and its historical responsibility for climate change (share of cumulative emissions since 1990). Further delay on a specific EU commitment will damage Europe's leadership in the climate negotiations and stall further progress.
- The EU should send a powerful signal to developing countries in the UNFCCC negotiations by committing to immediate substantial funding of USD 2 billion for urgent near-term adaptation and capacity-building needs in developing countries, including financing NAPAs, to start flowing as soon as possible ahead of 2012.
- The EU must declare unequivocally that climate finance will be new and additional to existing Official Development Assistance (ODA) commitments. Europe must ensure that climate efforts do not come at the expense of the fulfilment of the Millennium Development Goals.
- Public climate finance must cover the full incremental cost of mitigation and adaptation actions by developing countries requiring support. It is incorrect to assume that the private sector will pay for (any part of) this incremental cost.
- Any mitigation in developing countries achieved through carbon markets by offsetting European emissions cannot be counted as part of the above-mentioned financial commitments⁵.

1 Commission Staff Working Document accompanying the Communication from the Commission 'Towards a comprehensive climate change agreement in Copenhagen', 28.1.2009 SEC(2009) 101 at http://ec.europa.eu/environment/climat/future_action.htm, page 74 and page 76 (see in particular Table 12 Impact of gradual development of the carbon market, POLES, page 74) (section 6.5.2)

2 *Ibid.* page 10 (Executive Summary)

3 *Ibid.* page 10 (Executive Summary) and page 86 (section 6.6.4)

4 Turning Carbon into Gold, Oxfam International Briefing Paper, December 2008

5 Some CAN-members reject the principle of offsetting through the CDM, because it is not additional and wards off the necessary technology change in Europe that is needed to achieve ambitious domestic emission cuts.

SOURCES AND MECHANISMS FOR GENERATING CLIMATE FINANCE

- The EU cannot postpone its choice for endorsing specific financing mechanisms any longer.
- Any finance mechanism proposed or endorsed by the EU must be capable of generating funding that is new, adequate, predictable, binding and automatically generated. The mechanism must fulfil the requirements of the Bali Action Plan by being measurable, reportable and verifiable.
- One way in which these principles could be operationalised is a scaled up version of the Norwegian proposal combined with a UN Climate Fund, as outlined in the Mexican proposal. NGOs stress that any combination of the Norwegian⁶ and Mexican proposals must contain a mandatory levy or auctioning of AAUs. It cannot be used as an excuse to limit the amount or the mandatory level of financing by developed countries.
- An upscaled Norwegian-Mexican proposal could be combined with differentiation of the obligation to levy or auction AAUs among Annex 1 countries based on their 'common but differentiated responsibilities and respective capabilities'.

CLIMATE FINANCE ARCHITECTURE AND GOVERNANCE OF FUNDS

- NGOs stress that all financial flows have to be channelled under the authority and guidance of the Conference of the Parties (COP) under the UNFCCC to ensure full accountability, transparency, cost-effectiveness and equitable participation. In the interest of efficiency, comprehensiveness and in order to exploit possible synergies, it is best to combine the funding mechanism for mitigation, adaptation and technology.
- Developing countries should be fully engaged in the governance of future climate funds, with at least equal representation. The Adaptation Fund provides an important example of an equitable governance model that could be used as inspiration for future international fund governance. The model employed for governance of current World Bank funds, on the other hand, does not meet goals of equitable participation, accountability and transparency.

⁶ Scale of funding could be expressed as a percentage of emission allowances (Assigned Amount Units, AAUs) to be hold back and auctioned under the post-2012 climate agreement.