EuropeAid

ENVIRONNEMENT ET CHANGEMENT CLIMATIQUE

EC DEVELOPMENT AID AND THE CLIMATE CHANGE CHALLENGE

INFORMATION NOTE ON FINANCIAL DATA, FUNDING SOURCES AND CLIMATE CHANGE MAINSTREAMING TOOLS

FOR INTERNAL USE

EUROPEAN COMMISSION

This note has been prepared by EuropeAid Co-operation Office – Unit E6 "Natural Resources" in collaboration with DG DEV, RELEX and ENV. Its aim is to inform colleagues from the Relex family. It complement the note targeting the general audience available on EuropeAid website at the following address:
http://ec.europa.eu/europeaid/multimedia/publications/publications/thematic/climate_change_en.htm
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1. Climate change: a challenge for developing countries

Many figures on the financial needs to combat Climate Change (mitigation and adaptation) are floating around but there is one common factor: they are all in the order of billions per year. The 2005 estimate of € 152 bn per year **for mitigation by 2020** has been increased to € **175 bn per year** globally, taking into account costs in agriculture and avoided deforestation (COM(2009) 39 final). About half of these investments would be needed in developing countries. The UNFCCC Secretariat estimates that **global adaptation needs in all developing countries could range between € 23-54 billion per year in 2030** – which could imply a financial requirement of € 10-24 billion in 2020 (SEC(2009) 1172/2).

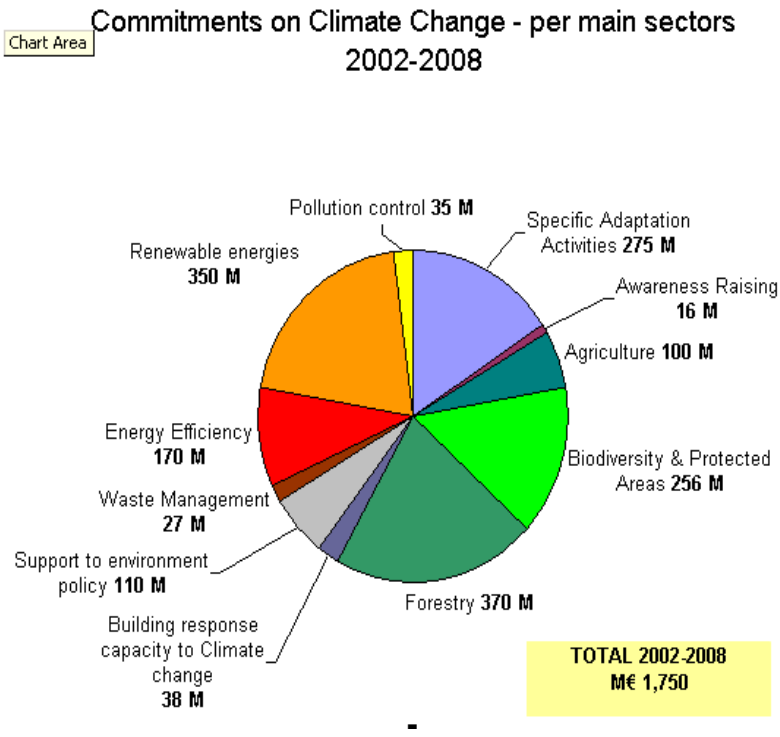
In response to these overall needs, the recent Commission Communication on "Stepping up international climate finance: A European blueprint for the Copenhagen deal (COM(2009) 475/3)" calls for finance for mitigating emissions and adapting to climate change in developing countries. The total net incremental costs of mitigation and adaptation in developing countries could amount to around € 100 billion annually by 2020. This figure is based on projections that rely on an ambitious agreement in-line with meeting the 2°C objective. These costs will need to be met through a combination of domestic finance, the international carbon market and international public finance. For the latter part, needs are estimated to be between € 22 to 50 billion per year in 2020; a financial burden that needs to be shared at the global level. Fast start financing is needed for adaptation, mitigation, research and capacity building in developing countries in the range of € 5 to 7 billion per year between 2010 and 2012.

The EU is ready to take its fair share of the global effort by setting an ambitious mitigation target, allowing for offsets and providing its fair share of additional public support, with the figure to be determined in the light of the outcome of the Copenhagen conference.

Meanwhile, existing ODA should increasingly become climate resilient and every opportunity should be used to capitalize on win-win projects and programmes, while every effort should be made to step up international aid and increase its effectiveness, in line with the Paris Declaration and the Accra Agenda. In this context, good governance and institutional capacity are clearly critical, bearing in mind the significant increase in international public finance in the medium to long term. Some other global financing mechanisms will be needed over and above existing ODA, and are under discussion within the United Nations Framework Climate Change Convention (UNFCCC) negotiations. In this context, the EC aid cooperation, maintaining its focus on development, is working ahead to enhance its actions on climate change issues.

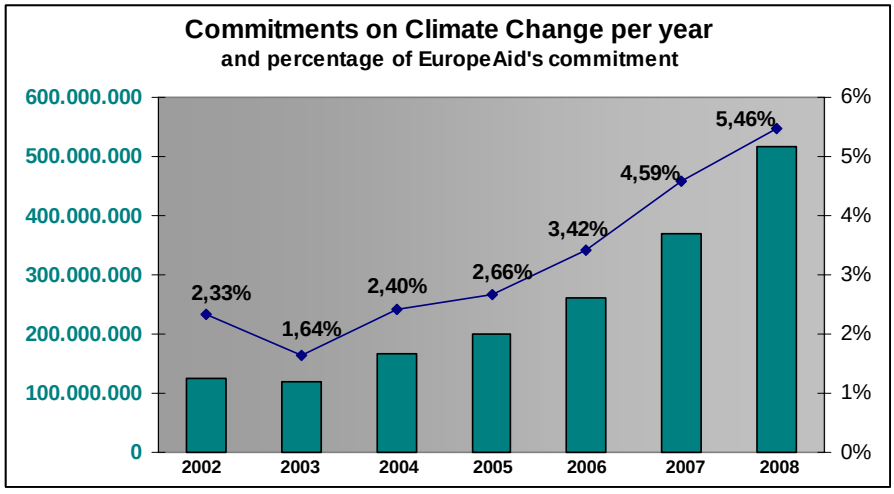
2. A brief overview of past commitments on "climate change relevant" projects

In line with the Communication "Climate Change in the context of Development Cooperation" (COM 85 of 2003), the Commission has been underlining more explicitly the link between poverty and climate change and has translated into action the integrated strategy for addressing climate change and poverty reduction concerns, at the same time strengthening the process of integrating environment and the sustainability dimension of the EC's external policies.
Indeed, given the multiple ways climate change affects societies and interacts with place-specific vulnerabilities, responses to climate change need to be conceived in coherence with existing development frameworks, rather then in isolation.



Many projects and programmes dealing with water, agriculture, forests, fisheries, rural development, health, the promotion of energy efficiency and renewable energies and the conservation of natural areas are relevant for climate change. It is mainly in these sectors in which the EC cooperation has been promoting adaptation and mitigation synergies, alongside poverty alleviation. .

An analysis of the EC portfolio, in 2008, shows that commitments for climate-related interventions are globally increasing since 2002, **totalling around € 1,750 million**. This trend is mainly due to big investments in the energy sector in recent years, whereas biodiversity and forests commitments remain quite stable in absolute terms.



Further more, in order to avoid the risk of mal-adaptation, climate change needs to be mainstreamed in all sectors of cooperation. Doing so will assist the target population to increase its resilience to climate risks (see paragraph 4 for more detail).

3. Highlights of the main instruments for aid cooperation with positive climate change spin-offs

3.1. Geographical instruments – bilateral cooperation

Geographical instruments remain the core of the EC Cooperation and represent approximately ¾ of the climate-related commitments. So far, many of these programmes have been implemented without climate change as the main "driver" of the project objective. This is notably the case for energy, forestry or natural resources management sectors. Now that climate change is at the top of the European political agenda, additional efforts will be necessary to strengthen our actions and make conscious decisions to target climate change more specifically and integrate it in all areas of cooperation. Due account will be taken of the funds dedicated to climate change by use of the relevant Rio Markers.

3.2 Geographical instruments – regional cooperation

Similarly to bilateral cooperation, regional indicative programmes offer opportunities for strengthening climate-related activities – notably as regards energy, natural resources or capacity building – and offer the added advantage of being cross-border.

Some regional initiatives, working through Call for Proposals, are of special interest as regards climate change. For instance, with a budget of € 90 million, the **SWITCH-Asia programme** encourages a cleaner and more energy efficient industry in Asia. It targets small and medium-sized enterprises (SMEs) due to their key role in development providing local employment, their high contribution to air and water pollution, and their difficulties in making the transition to a more environmentally sound mode of operation. The Programme addresses both sides: on the supply side, it promotes new processes and technologies to make business production more environmentally sustainable and efficient; on the demand side, it supports consumer's behaviour and choices in use of goods and services that are more environmentally friendly. *http://ec.europa.eu/europeaid/where/asia/regional-cooperation/environment/switch_en.htm*

3.3 The Intra ACP cooperation

Several programmes under the 9th and 10th EDF Intra ACP portfolio contribute in part to the fight against climate change. Major components are the following:

THE ENERGY FACILITY. The ACP-EU Energy Facility aims to alleviate poverty by incrementing access to adequate, affordable and sustainable energy services to the poor in economically and socially disadvantaged areas. The first tranche under the 9th EDF accounted for € 220 million, of which around 60% was relevant to climate change mitigation – through the promotion of energy efficiency and renewable energy technologies. The tranche under 10th EDF (€200 million) will further contribute to improving access to renewable energy in rural and peri-urban areas while fighting against climate change, emphasising the use of renewable energy sources and energy efficiency measures.

http://ec.europa.eu/europeaid/where/acp/regional-cooperation/energy/index_en.htm

THE WATER FACILITY. Projects promoting the sustainable and efficient use of water are part of this facility (€ 500M million under the 9th EDF) and contribute as such to climate change adaptation. The water facility will be extended under the 10th EDF (€ 200 million) and will include projects to boost the sustainable delivery of water and sanitation infrastructure and improve water governance and Integrated Water Resources Management (IWRM) practices in ACP countries.

http://ec.europa.eu/europeaid/where/acp/regional-cooperation/water/index_en.htm

DISASTER RISK REDUCTION Programme. Under the 10th EDF framework, the ACP-EU Natural Disaster Facility (NDF) will aim to build on the ACP-EU NDF under the 9th EDF, achievements of previous disaster reduction activities and strengthen Early Warning Mechanisms, Capacity Building, and promote reconstruction and development. An allocation of € 180 million is foreseen under the 10th EDF to be committed starting in 2010.

The intra ACP envelope also provides for a €40M contribution to the Global Climate Change Alliance (see point 3.5)

3.4 Thematic Instruments

3.4.1 The Environment and Natural Resources Thematic Programme, including energy (ENRTP)

Accounting for about ¼ of the commitments related to climate change, the ENRTP is the main financing instrument for cooperation in the field of environment. ENRTP finances both targeted actions and projects selected through calls for proposals. If one of the priority areas is "Climate Change" *per se* (such as specific capacity building projects), ENRTP also contributes to climate change mitigation and adaptation through its activities on forests, biodiversity or energy. ENRTP has been allocated over € 1 billion for the 2007-2013 period.
Projects financed under the ENRTP are often of strategic importance even though their size is relatively limited. Sensitisation and providing information to civil society prior to the launch of Calls for Proposals are efficient ways of harnessing the interest of civil society.

http://www.cc.cec/dgintranet/europeaid/activities/thematic_operations/f3/environment_en.htm

The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is an innovative financing instrument, set up as a global public-private partnership, proposed by the European Commission under the ENRTP to maximise the leverage of public funds. The risk capital is managed by the European Investment Fund (EIF) in support of Small and Medium size Enterprises (SME) wanting to develop renewable energies and energy efficiency. A budget of € 80 million has been reserved by the Commission for the first 4 years – amount topped-up by contributions from several Member States. The First 2 regional funds have been set up in 2008 for an amount of € 22 million.

http://www.eif.org/about/geeref.htm

3.4.2 Other Budget lines

The **Non State Actors and Local Authorities** budget line finances some climate-change activities, such as capacity building and awareness raising on climate issues, ensuring the participation of civil society in international fora, or local actions in the field of forestry, biodiversity or energy. Depending on the situation and local priorities, EC Delegations could put an emphasis on climate related activities whenever developing local Calls for Proposals under this budget line.

Some projects under the **Food Security** budget line are also relevant for climate change – notably as regards fight against erosion and desertification, or sustainable agriculture. Specific attention should be given to these aspects during the project preparation.

3.5 The Global Climate Change Alliance (GCCA)

Launched in 2007, the GCCA is an EU initiative which aims at strengthening the political dialogue with developing countries and to support their effort to adapt to and mitigate the effects of climate change. **Least Developed Countries and Small Island Developing States** are the focal countries for this initiative. Support will be targeted primarily to actions dealing with an improved integration of climate change in developing countries' policies, reduced emissions from deforestation and forest

degradation, disaster risk reduction, enhanced participation of LDC's in the carbon market mechanisms and for adaptation activities especially in the water and agricultural sectors.

Fifteen countries have been identified to start up activities under the GCCA: Vanuatu, Maldives, Cambodia, Tanzania, Bangladesh, Guyana, Jamaica, Mali, Mauritius, Rwanda, Senegal, Seychelles, Belize, Madagascar, and Mozambique. More LDC's and SIDS will be able to profit from this support as funds become available in 2010 and later. Regional activities are also foreseen starting soon in Africa, the Caribbean and the Pacific.

The GCCA is financed through different sources. So far € 70 million have been allocated under the ENRTP budget line, and an additional support of €40 million is foreseen within the 10th EDF "All ACP" strategy. An additional € 25 million is being discussed for budget year 2010. Some Member States have joint in the exercise with contributions so far from Sweden and the Czech Republic.

http://europa.eu/scadplus/leg/fr/lvb/r13016.htm

4. Mainstreaming Climate Change into development activities: which tools are available?

Alongside dedicated project and programmes, the Commission aims at integrating climate change adaptation and mitigation as a **cross-cutting issue** in its external cooperation[1].

Within the geographical instruments, the **choice of focal sectors** with partner governments or authorities is crucial. Depending on the country situation, important sectors for mitigation (forests, protected areas, energy…) as well as adaptation (water, agriculture, coastal management…) should be given a particular attention (these sectors are often also important for poverty reduction). A better knowledge of the situation of the country or region as regards climate change is the basis for defining the priorities. Therefore, the **Country Environmental Profiles**, which have been extensively used since 2006 to foster the integration of environmental issues into regional and country Strategy Papers, will be strengthened through the inclusion of climate change specific issues. This aspect will be crucial in the context of the revision of existing, and the preparation of new, Strategy Papers. Taking into consideration National Adaptation Programmes of Action (NAPA) in the strategy design – in relevant countries – will also become more and more important. Some specific actions to address climate change issues, such as capacity building, awareness raising, designing of sector specific adaptation strategies could be implemented within other programmes (notably sector budget support) or through specific instruments such study facilities.

Guidance for desk officers and task managers has been prepared to support greater uptake of environment and climate concerns and opportunities during programming and further downstream in the formulation and implementation of operations. This includes specific sector information notes, synthetic documents analysing effects of activities within certain sectors on GHG emission as well as potential impact of climate change. Sectors covered so far include: Agriculture and Rural Development, Education, Energy Supply, Health, Infrastructure (incl. Transport), Solid Waste Management, Trade and Investment, and Water Supply & Sanitation.

An **environment/climate risk screening** procedure will support in the phase of identification of new projects and arrangements are in place to provide *ad hoc* technical advice to desk officers and geographical coordinators. This climate risk screening is part of the revised "**Guidelines on the integration of the environment and climate change in developing cooperation**". The new Guideline includes also revised Terms of Reference for Environmental Impact Assessment (EIA) or Strategic Environmental Assessment (SEA), taking duly into account Climate change issues. Environment Integration trainings – now compulsory – have been adapted to include sessions on climate change aspects.

[1] Cf. Climate change in the context of development cooperation 7523/03 DEVGEN 195 ENV 586

Also part of mainstreaming environment and climate change is the **Greener EuropeAid action plan** launched in 2008. The plan aims at reducing waste and energy consumption in the main AIDCO premises in Brussels. As part of "green" measures introduced with the revision of procedures for external cooperation, carbon offsetting is now foreseen for air travels undertaken in the frame of service and grants contracts for external cooperation managed by AIDCO. At the end of the year the Greener EuropeAid action plan will be replaced by the EMAS (Eco Management Audit Scheme) action plan. EMAS will be introduced in all Commission DGs (Delegations are at this moment excluded). Nevertheless several Delegations have already taken steps to "green" their activities (information and tools are available following the link mentioned hereby) – will yours be next?

http://www.cc.cec/dgintranet/europeaid/about/greener_europeaid/index_en.htm

5. Beyond programmes & projects…the political dialogue

Climate change and sustainable development underline the interdependence between the EU and its international partners, making them by nature strong subjects for EU diplomacy. These issues are also overarching priorities for the EU and the European Commission. Through visible involvement of political leaders and systematic outreach, largely at the initiative of the Commission, the EU has become the most ambitious and vocal proponent of the global climate agenda. This leadership reflects positively on the EU external identity.

Climate Change has risen to the top of the political agenda of the European Union in all major bilateral summits with partner countries. In 2005 the EU stepped up its cooperation with both China and India in the field of climate change through the establishment of the EU-India Clean Development and Climate Change Initiative and the EU-China Partnership on Climate Change. This intensified cooperation underlines a strong commitment to tackling climate change. A similar kind of cooperation is taking place in Brazil, where a dialogue on the environment and climate change has been established. With South Africa, a forum on environment and sustainable development with a working group on climate change has been created. Regular dialogue on climate change also takes place with South Korea as well as in the context of the European Neighbourhood Policy (ENP), both at the political as well as technical level, and concrete initiatives for closer cooperation on climate change are under way with Mexico. Climate issues are also high on the agenda in multilateral and regional fora, including the Eastern Partnership, the Black Sea Synergy and the Union for the Mediterranean, the African Union, ASEM, ASEAN, the Pacific Island Forum, the Rio Group and the Cariforum.

As part of the GCCA political dialogue component (see point 3.5) 3 joint declarations on climate change have been signed with the Caribbean, Pacific and African region.

European Commission - Development - Environment - Climate change

The Commission is working very closely with member states in third countries on climate change outreach and cooperation activities to ensure a clear, strong and united EU voice. Through the EU's Green Diplomacy Network and decisive efforts within the EU and the Commission's external services, climate change outreach has been strengthened, both in EU capitals and amongst EU Missions abroad. With the eventual implementation of the Lisbon Treaty, the EU's voice can only get stronger.

Further background information on integrating climate change and environment into external relations can be found here:

http://ec.europa.eu/external_relations/environment/index_en.htm

In addition, the EU is working with third country partners to address the issue of the international security implications of climate change. This initiative stemmed out of a joint High Representative/Commission paper on "Climate Change and International Security" published in March 2008. This was followed by the update of the European Security Strategy in December of the same year of which Climate Change has now become a building block of the ongoing roadmap

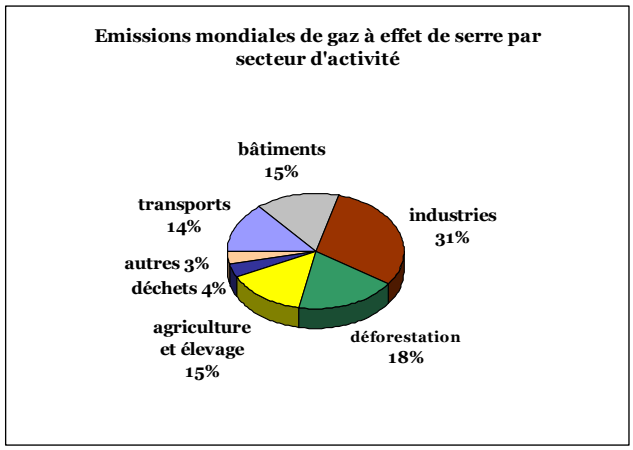
towards ensuring that climate change is taken into account as part of security policy and planning within the EU and globally.

Annex 1. A few facts on climate change

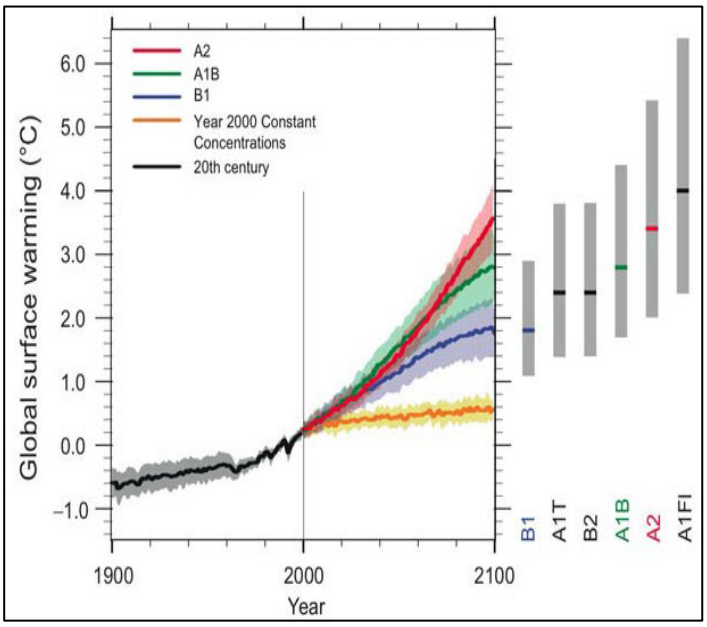
Climate change is due to the presence of Greenhouse Gases (GHG) in the atmosphere. The most common GHG and which is receiving more attention is the Carbon dioxide (CO_2), but there are other GHGs like methane (CH_4), halocarbons, water vapor, nitrous oxide (N_2O), among others. The greenhouse effect is essential for us to survive, because, without it the average temperature in the Earth would be -18°C! However, the anthropogenic activities are causing an excess of GHGs accumulation in the atmosphere that causes global warming and thus local weather perturbations.

Mitigation or Adaptation? Climate change issue should be tackled in two ways: reducing GHG emissions, cause of climate change (**mitigation**) and on the other hand reducing the vulnerability (of people and ecosystems) to the changes of the climate (**adaptation**).

The sources of GHGs emissions are several. Some of them are the following,



- CO_2 emission due to fossil fuel combustion (oil, gas, coal…) for energy, transport…
- Halocarbons emissions (HFCs and PFCs which are used for refrigerating systems)
- Livestock (ruminants produce and emit methane)
- Use of fertilizers in agriculture (nitrous oxide emissions)
- Fires and land use changes (forests, which store large amounts of carbon, being replaced by crops, which store lest amount of carbon)
- Soils degradation (which also store carbon)



At present, scientists from the Intergovernmental Panel on Climate Change (IPCC) predict that there will be a global mean temperature increase ranging between 1.5 and 6°C by 2100, including different scenarios, an increase of 2°C (optimistic scenario, taking into account that strong actions are taken from now on) and 4°C (business as usual scenario). Even in the optimistic scenario, with a global mean temperature increase of 2°C, the experts indicate that the negative consequences of climate change on the environment and on people will be felt sooner and with a higher frequency.

The consequences of climate change, even if we achieve only a temperature increase of 2°C, are many and among them it is possible to note the following:

- Increase of climate extreme events frequency (cyclones, droughts, heat waves, cold waves, floods, among others)
- Decrease of rainfall locally and thus decrease of agriculture production in the South (while there will be a temperature increase in the North which could increase the agriculture production in some of the Northern countries).
- Ecosystems modification, species extinction, species migration (including the proliferation of pest species)
- Enlargement of areas subjected to certain human diseases (e.g. new outbreaks of malaria…)
- Melting of glaciers, decrease of water resources availability during summer
- Sea level rise, increase of floods in delta areas, disappearance of certain islands, increase of salinity levels in the water table and sea water intrusion into aquifers on the coastal areas.
- Community displacements (climate refugees) and increase of conflicts due to the lack of natural resources.

"The poorest developing countries will be hit earliest and hardest by climate change, even though they have contributed little to causing the problem. The international community should support them in adapting to climate change. Without such support, there are serious risks that development progress will be undermined."

Sir Nicholas Stern, *The Economics of Climate Change* - 2007

➔ **More Information**

United Nations Framework Convention on Climate Change: www.unfccc.int
The European Commission commitments and strategy: http://europa.eu/scadplus/leg/fr/s15012.htm
DG Environnement web site on climate change: http://ec.europa.eu/environment/climat/home_en.htm
Intergovernmental Panel on Climate Change (including downloadable reports): http://www.ipcc.ch/

Annexe 2: Some example of no-regret development activities relevant to climate change mitigation
Climate change and development are closely linked. The following is a list of potential win-win type of projects, irrespective of the possible uncertainties related to the nature of climate change.

Renewable energy
Windmills
Solar energy (thermal, photovoltaic, solar oven...)
Use of biomass (incl. waste) for energy,
Sustainable management of forests for fuel wood
Hydroelectric (micro-power ...), geothermal
Institutional support, awareness

Energy efficiency
In the field of industry, housing ...
Rehabilitation / renovation of coal, oil energy plants...
Transports: promoting energy-efficient transportation (river, rail ...)
Awareness raising, projects acting on the "demand" side (consumer organizations…)
Institutional Support

Fight against pollution
Transfer of "clean" technologies in the industrial sector
Limiting emissions of CFCs, HCFCs (Montreal Protocol)[2]

Agriculture
Promotion of efficiency in fertilization (efficiency in nitrate fertilizers, incl. organic farming)
Promotion of agroforestry, projects limiting slash and burn agriculture
Activities to reduce land use change and expansion of agriculture at the expense of forested areas
Use of biomass, agricultural by-products for energy purposes
Fight against erosion, soil loss, soil salinization
Rehabilitation of areas affected by desertification

Education and public awareness / Forestry
Preservation of forests
Sustainable forest management (community forestry not.)
Fight against illegal logging, against deforestation for agriculture, livestock
Reforestation
Rehabilitation of areas affected by desertification
Institutional support, awareness

Biodiversity / Protected Areas
Support for sustainable management of protected/natural areas (forests, coastal ecosystems and mangroves, wetlands)
Institutional Support

Waste
Reducing methane emissions, waste burning
Promotion of recycling
Use of biomass/waste for energy production

Institutional Support / Obligations under the convention
Preparation / implementation of greenhouse gases inventories
Economic analysis, development, integration of climate change into development strategies and policies
Implementation of national plans for mitigation of climate change (incl. national action plans for adaptation, NAPA)
Organization / participation of authorities and civil society to national / regional / global climate change meetings
Promotion of Clean Development Mechanism (CDM), institutional support
Capacity Building

Research
Support to meteorological services, oceanographic and atmospheric research centres
All research, incl. social and economics, on Climate change and its impacts.

Strengthening Civil Society
(On Climate change related issues)

[2] *Le Protocole de Montréal est une convention internationale antérieure (1987) qui vise à la protection de couche d'ozone, par la limitation (et à terme l'arrêt) des émissions des substances l'appauvrissant – pour l'essentiel des composants chlorés comme les CFC (chlorofluorocarbones) HCFC (hydro-chlorofluorocarbones) utilisés par l'industrie et pour les systèmes de refroidissement. Les CFC et HCFC sont également de puissants gaz à effet de serre.*