QUICK TIPS

ACTIVITIES THAT QUALIFY FOR RIO MARKERS IN THE SUSTAINABLE ENERGY SECTOR

The NDICI Global Europe Regulation established a target to dedicate at least 30% of the EU budget to support climate objectives in the period 2021-2027. It also specifies that the NDICI Global Europe will contribute to the ambition of providing 7.5% of annual spending in 2024 and 10% in 2026 and 2027 towards biodiversity objectives.

The President of the European Commission, in her 2021 State of the Union speech, pledged an additional four billion euro towards climate goals. A pledge was also made to double the EU's external funding for biodiversity, compared to 2014-2020, in particular for the most vulnerable countries.

These renewed targets significantly raise the EU ambition on climate and biodiversity finance to partner countries, reflecting the urgency called upon by the scientific community to address the climate and biodiversity crises and the ambition of the European Green Deal.

Four 'Rio markers' were developed by the OECD Development Assistance Committee (DAC) to identify the contribution of actions to the objectives of UN Rio Conventions (two markers related to the Framework Convention on Climate Change, one to the Convention on Biological Diversity and one to the Convention to Combat Desertification and Land Degradation). The Rio markers are used by DG INTPA to keep track of financial contributions to the Rio themes. In line with a methodology adopted by the OECD DAC, there are three possible scores (0, 1 and 2) for Rio markers. DG INTPA assesses that a certain percentage of an action's budget can be considered to contribute to a Rio theme, based on the score of the corresponding Rio marker, as follows:

The scoring must be carried out in accordance with the corresponding OECD DAC directives. [1]

[1] OECD DAC (2018) Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire. Annexes – modules D and E (Annex 18 – Rio markers). DCD/DAC/STAT(2018)9/ADD2/FINAL.

Biodiversity

An activity should be classified as biodiversity-related if it promotes at least one of the three objectives of the Convention on Biological Diversity: (1) the conservation of biodiversity; (2) sustainable use of its components (ecosystems, species or genetic resources); or (3) fair and equitable sharing of the benefits of the utilisation of genetic resources.

Eligibility criteria are as follows:

The activity contributes to:

a) Protection or enhancement of ecosystems, species or genetic resources through in-situ or ex-situ conservation, or remedying existing environmental damage; **or**
b) Integration of biodiversity and ecosystem services concerns within recipient countries' development objectives and economic decision-making, through institution building, capacity development, strengthening the regulatory and policy framework, or research; **or**
c) Developing countries' efforts to meet their obligations under the Convention.

The activity will be scored '**principal objective**' (i.e. RM2) if it directly and explicitly aims to achieve one or more of the above three criteria.

Typical activities in the energy sector that can qualify for the Biodiversity Rio marker include:

- Promotion of agroforestry systems with native tree species that contribute to enhancing biodiversity;
- Renewable energy projects that promote sustainable land management and reduce pressure on wood resources (e.g. domestic biogas systems, improved cooking stoves).

Combating Desertification

An activity should be classified as desertification-related if it aims at combating desertification or mitigating the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

Eligibility criteria are as follows:

The activity contributes to:

a) Protecting or enhancing dryland ecosystems or remedying existing environmental damage; **or**
b) Integrating desertification concerns in recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; **or**
c) Developing countries' efforts to meet their obligations under the United Nations Convention to Combat Desertification.

The activity will be scored '**principal objective**' (i.e. RM2) if it directly and explicitly aims to achieve one or more of the above criteria, including in the context of the realisation of national, sub-regional or regional action programmes.

Typical activities in the energy sector that can qualify for the Desertification Rio marker include:

- Promotion of agroforestry systems with native tree species that contribute to contain or revert land degradation;
- Renewable energy projects that promote sustainable land management and reduced pressure on wood resources (e.g. domestic biogas systems, improved cooking stoves).

Climate Change Mitigation

An activity should be classified as climate change mitigation-related if it contributes to the objective of stabilising greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or enhance GHG sequestration.

Eligibility criteria are the following:

The activity contributes to:

a) The mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; **or**
b) The protection and/or enhancement of GHG sinks and reservoirs; **or**
c) The integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; **or**
d) Developing countries' efforts to meet their obligations under the United Nations Framework Convention on Climate Change.

The activity will be scored '**principal objective**' (i.e. RM2) if it directly and explicitly aims to achieve one or more of the above four criteria.

See below the table with examples of activities that qualify for a climate change mitigation marker.

Climate Change Adaptation

An activity should be classified as climate change adaptation-related if it intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them.

This encompasses a range of activities from information and knowledge generation to capacity development, planning and the implementation of climate change adaptation actions.

Eligibility criteria are the following:

An activity is eligible for the climate change adaptation marker if:

a) The climate change adaptation objective is explicitly indicated in the activity documentation; **and**
b) The activity contains specific measures targeting the definition above.

To guide scoring, a three-step approach is recommended as a 'best practice', in particular to justify a Rio Marker 2 score:

- **Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change:** for a project to be considered as one that contributed to adaptation to climate change, the context of climate vulnerability should be set out clearly using a robust evidence base. This could take a variety of forms, including use of material from existing analyses and reports, or original, bespoke climate vulnerability assessment analysis carried out as part of the preparation of a project.
- **Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation:** the project should set out how it intends to address the context- and location-specific climate change vulnerabilities, as set out in existing analyses, reports or the project's climate vulnerability assessment.
- **Demonstrating a clear and direct link between the identified risks, vulnerabilities and impacts and the specific project activities:** the project should explicitly address risk and vulnerabilities under current and future climate change as identified in the project documentation.

See below the table with examples of activities that qualify for a climate change adaptation marker. [2]

[2] OECD DAC Rio Markers for Climate Handbook

SUB-SECTOR/ CRS PURPOSE CODE	MITIGATION	ADAPTATION
23110 **Energy policy and administrative management** **23181** **Energy education/training** **23182** **Energy research**	**2, 1 or 0**	**0, 1 or 2**

RATIONALE FOR SCORING

Mitigation

Activities that develop/foster appropriate regulatory efforts to promote energy efficiency and renewable energy, including climate change considerations, score against mitigation. However, activities in the energy sector, as for other sectors, do not score against mitigation "by default", and in the event that climate change is not taken into account, the scoring would be 0.

EXAMPLES OF QUALIFYING ACTIVITIES

Mitigation

- Regulatory policy reform in the energy sector to take into account climate change mitigation efforts (mitigation score 2).

Adaptation

- Enhancing the capacity and regulatory capabilities of the Regulatory Authority to deal with climate change impacts (adaptation score 2).
- Supporting local authorities to improve security of their energy supply by designing resilient energy infrastructure (adaptation score 1).

SUB-SECTOR/ CRS PURPOSE CODE	MITIGATION	ADAPTATION
23183 **Energy conservation and demand-side efficiency**	**2 or 1**	**0, 1 or 2**

RATIONALE FOR SCORING

Mitigation

The primary objective of energy efficiency measures is normally to reduce greenhouse gas emissions, even if simultaneous objectives also exist (e.g., security of supply, reduced energy bills, productivity benefits and reduced foreign exchange outflows and volatility linked to fossil fuel imports).

The following principles help determine whether an energy efficiency project qualifies for mitigation:

- The general principle for brownfield energy efficiency activities (i.e. those in already built environments) involving retrofitting or the substitution of technologies or processes is that (i) the old technologies are substituted well before the end of their lifetime and the new technologies are more efficient, or (ii) new technologies or processes are more efficient than those normally used in greenfield projects.
- The general principle of greenfield energy efficiency activities (which imply the construction of new equipment/infrastructure) is that they prevent a long-term lock-in in GHG-intensive infrastructure (urban, transport and power sector infrastructure).

Adaptation

In some cases, energy efficiency measures in construction and retrofitting can also have climate change adaptation objectives, e.g. to build resilience in the energy system in the case of disaster events (adaptation score 1).

EXAMPLES OF QUALIFYING ACTIVITIES

Mitigation

- Retrofit efficiency improvement in the energy sector (mitigation score 2).
- Cogeneration (mitigation score 2 if substantially more efficient than separate generation).
- Clean cook stoves (mitigation score 2).
- Renewable energy power plant retrofits, improvements in energy efficiency in existing thermal plants (mitigation score 1).
- Fuel switching from one fuel to a different, less GHG-intensive fuel type qualifies as mitigation (score 1 or 2) if a net emission reduction can be demonstrated taking extensions of capacity and lifetime of the facility into account.
- Combined heat and power plants: heat generation can also be associated with energy efficiency if combined with power generation.

Mitigation and adaptation

- Clean cooking solutions that are less dependent on traditional biomass are both relevant for mitigation and adaptation (making cooking food less dependent on climate vulnerable biomass resources) (mitigation score 2 and adaptation score 1).
- Efficiency in new construction (exceeding available standards) and retrofitting of existing buildings, e.g. improving the efficiency of air conditioning of hospitals in hot regions (mitigation score 1 and adaptation score 1).

SUB-SECTOR/ CRS PURPOSE CODE
232
Energy generation, renewable source

MITIGATION
2 or 1

ADAPTATION
2 or 1

RATIONALE FOR SCORING

Mitigation
The main objective of renewable energy production is typically to reduce GHG emissions through project development or the creation of enabling environments for the development and dissemination of the skills and technologies necessary to expand renewable generation.

The rationale for projects to qualify as mitigation is that, in the absence of the renewable energy construction/rehabilitation, high GHG emitting energy sources would be used. Not only are direct effects (e.g. observed emission reductions) taken into account, but also projected impacts on future emissions, i.e. changes in future GHG emission trajectories compared to reference case ("business as usual") scenarios.

Adaptation
If specific measures take into account climate change impacts (and therefore aim at improving the resilience to climate change), the activity can be scored against the adaptation marker.

EXAMPLES OF QUALIFYING ACTIVITIES

Mitigation
- Wind energy, photovoltaic and concentrated solar power (CSP), geothermal, biomass (incl. waste) and biogas, ocean tide power score for mitigation (mitigation score 1 or 2 if main objective).
- Hydropower (storage or run-of-the-river) only if net emission reductions can be demonstrated (mitigation score 1 or 2).
- Support to institutional framework in biofuels (mitigation score 1).
- Training in renewable energy (mitigation score 2).

Adaptation
- New hydropower activity that takes into account the impact of climate change on water resources and uses modern engineering techniques (adaptation score 1).
- Optimising hydropower generation and dam safety in the context of climate change vulnerability (adaptation score 1).

SUB-SECTOR/ CRS PURPOSE CODE
23
Energy generation, non-renewable sources

MITIGATION
0 or 1

ADAPTATION
0

RATIONALE FOR SCORING

Mitigation
Generally, thermal power plants' objective is not to limit emissions of GHGs and they will therefore not comply with the eligibility criteria of the climate mitigation marker. However, there may be cases where energy efficiency aspects make projects eligible to be scored as climate change mitigation, where they involve reducing GHG emissions of an energy generation process.

EXAMPLES OF QUALIFYING ACTIVITIES

Mitigation
- Activities in which existing power plants switch to lower emitting fuels (e.g. switching from coal to natural gas) (mitigation score 1).

SUB-SECTOR/ CRS PURPOSE CODE
23410
Hybrid energy electric power plants

MITIGATION
1 or 0

ADAPTATION
0

RATIONALE FOR SCORING

Mitigation
Hybrid power plants (i.e. blending a renewable source with a fossil fuel to reduce the emissions compared with a fossil fuel-only baseline) may score mitigation 1.

EXAMPLES OF QUALIFYING ACTIVITIES

SUB-SECTOR/ CRS PURPOSE CODE

236
Heating, cooling and energy distribution

MITIGATION
2, 1 or 0

ADAPTATION
0, 1 or 2

RATIONALE FOR SCORING

Mitigation

In order for electric power transmission and distribution activities to qualify for the mitigation marker it is important to ensure that the investment is not in energy-intensive technologies. The scoring is directly linked to the purpose of the activity, which will be different if designed to reduce GHG emissions and mitigate climate change as main objective, or if the measures are complementary to the primary objective of the activity. Note that:

- Investments in network infrastructure can minimise power losses; therefore a mitigation score 1 can be assigned.
- In countries/regions where network expansion also allows for the extension/connection of renewable energy, a mitigation marker score 2 can be applied. Investment in innovative/smart grid technologies pursues reduction of GHG as the main target since they create the infrastructure for the use of renewable energies or allow for efficiency gains/loss reduction; therefore a marker 2 can be applied.

In the context of heat generation, heat-only plants that use renewable energy sources (including solar, geothermal, biomass, etc.) can score 2 for mitigation.

Adaptation

The design of modern networks is expected to increase the security of supply in case of extreme weather events caused by climate change and based on a context/vulnerability assessment, then the adaptation score 1 can be justified.

EXAMPLES OF QUALIFYING ACTIVITIES

Mitigation

- Integration of renewable sources into local or national grid, or energy efficiency measures in grid retrofitting: construction of new transmission/distribution lines, transformers, and substations, grid rehabilitation, deployment of innovative network technologies (mitigation score 1 or 2).
- New 'off-grid' systems (typically integrating energy storage, management and appliances) – allowing delivery of renewable energy directly to houses, businesses and/or community services without integration with the grid (e.g. mini-grids, home systems) (mitigation score 1 or 2).
- Rural electrification measures designed so that energy-efficient technologies are employed or distributed (mitigation score 1). The reference scenario 'use of diesel generators' could also be taken into account when considering the expected GHG impacts of the activity, and to inform the mitigation score.

Adaptation

- Strengthening of energy transmission and distribution infrastructure if the main objective is to cope with the impacts of climate change (adaptation score 2).
- Energy access through rural electrification which enables early warning systems to be heard/received, information to be attained/communicated; electrical power increases ability to store harvests, to refrigerate medicines, study at night, more efficient irrigation technology, etc. (adaptation score 1).