OCTOBER EUROPEAN COUNCIL
DRAFT CONCLUSIONS ON CLIMATE CHANGE

1. The climate is changing faster than expected and the risks this poses can already be seen. We experience widespread melting of ice, rising global sea levels and increased frequency, intensity and duration of floods, droughts and heat waves. The international community must act now in order to limit global warming to 2°C. The European Council agrees that this will require global emission reductions of at least 50% and supports an EU objective to reduce emissions by 80-95% by 2050 compared to 1990 levels.

2. The European Union is at the forefront of efforts to fight climate change. It is committed to move to a 30% reduction by 2020 compared to 1990 levels as its contribution to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.

3. Just weeks away from the Copenhagen Conference, the European Union is more than ever fully determined to play a leading role and contribute to reaching a global, ambitious and comprehensive agreement. All parties to the negotiation need to inject new momentum into the process and the pace of the negotiations must be stepped up.

4. In this context, the European Council endorses the conclusions adopted by the Council on 21 October 2009 (doc XXXX/09), which together with these European Council conclusions and the attached guidelines give the Union a strong negotiating position. It will allow the European Union to play a constructive role during the final phase of the negotiating process, in particular on key issues such as financing, technology transfer, adaptation, mitigation and good governance.

5. However, action by the European Union alone will not be enough. A comprehensive and ambitious agreement can only be reached if all parties contribute to the process. Developed countries should demonstrate their leadership and commit to ambitious emission reductions and step up their current pledges. Developing countries,

especially the more advanced, should commit to appropriate mitigation action, reflecting their common but differentiated responsibilities and respective capabilities. The European Council underlines the need for measuring, reporting and verification (MRV) of mitigation actions in all countries.

6. Adaptation is a necessary complement to mitigation that must be comprehensively addressed in a Copenhagen agreement. The European Council recalls the proposal to create a Framework for Action on Adaptation as part of this agreement.

7. The European Council underlines the importance of creating incentives to engage the private sector in technology cooperation. RD&D must be substantially scaled up, global technology objectives established and safe and sustainable technologies diffused.

8. A deal on financing will be a central part of an agreement in Copenhagen. A gradual but significant increase in additional public and private financial flows is needed to help developing countries implement ambitious mitigation and adaptation strategies.

9. The EU is ready to take its fair part of the global effort by setting an ambitious mitigation target, allowing for offsets and providing its fair share of public support. The European Council endorses the European Commission's estimate that the total net incremental costs of mitigation and adaptation in developing countries could amount to around €100 billion annually by 2020, to be met through a combination of their own efforts, the international carbon market and international public finance.

10. The European Council considers that the overall level of the international public support required could lie in the range of EUR 22 to 50 billion per year by 2020, subject to a fair burden sharing at the global level in line with the distribution key agreed by Parties, a governance arrangement and delivery towards ambitious Low Carbon Development Strategies/Low Carbon Growth Plans. This range could be narrowed down in view of the Copenhagen summit.

11. An effective and efficient institutional framework for governance has to be developed at the forefront of financing. Institutional anchoring of global functions must rely on a

clear separation of political and operational levels with guidance being given at the political level, and decision making an implementation being done at a highly professional technical level. The European Council supports the establishment of a high-level forum/body to be set up under the guidance of the UNFCCC to inter alia provide an overview of international sources for climate financing in developing countries.

12. All countries, except the least developed, should contribute to international public financing based on a comprehensive global distribution key reflecting both responsibility for global emissions and ability to pay. The weight on emissions should increase over time to allow for adjustments of economies. The EU is ready to take on its resulting fair share of total international public finance.

[p.m. internal burden sharing].

13. The European Council stresses that fast-start international public support is important in the context of a comprehensive, balanced and ambitious Copenhagen agreement The purpose should be to prepare for effective and efficient action in the medium and longer term and avoid delay of ambitious action. The European Council appreciates the Commission's estimate of an overall financing need of EUR 5-7 billion per year for the first three years following an ambitious agreement in Copenhagen and underlines that the EU in this context is ready to contribute its fair share of these costs.

14. Private financing will be stimulated by developing a broad and liquid carbon market based on robust cap-and-trade systems in developed countries, a reformed CDM and sectoral crediting and trading mechanisms for action in developing countries.

15. The European Council stresses the role of mitigation actions in land use, land use change and forestry and in particular through creating incentives for reduced deforestation and forest degradation in developing countries. A performance based mechanism which recognizes verified emission reductions should be established.

16. The European Council welcomes the Commission's draft decision containing a list of sectors and subsectors deemed to be exposed to a significant risk of carbon leakage which will enter into force in 2013. It notes that a sector or sub-sector may be added to the list and underlines that the list will be reviewed on the basis of the outcome of the international climate change negotiations.

17. The European Council invites the Presidency to take the necessary steps to maintain a strong negotiating position throughout the process and will review the situation at its meeting in December in order to take the necessary decisions in the light of the early stages of the Copenhagen conference.

ANNEX

Guidelines for the EU position on international climate finance

1. The EU STRESSES that addressing climate change by building greenhouse gas efficient and climate resilient economies is in the mutual interest of all countries and will underpin sustainable development as well as energy security. Success will require strong commitments and efforts by all countries.

2. The EU REITERATES that all countries, except the least developed, should cover their fair share of the costs of tackling climate change. RECALLING March Council conclusions, developed countries should demonstrate their leadership and commit to ambitious emission reductions and step up their current pledges. Developing countries, especially the economically more advanced, should commit to appropriate mitigation action, reflecting their common but differentiated responsibilities and respective capabilities. Promoting additional efforts these commitments should be assisted by an effective and efficient international architecture for cooperation and appropriate support. International support should also assist adaptation to climate change.

Appropriate governance of climate finance

3. The EU RECALLS that the purpose of carbon market financing and international public support is to contribute to the objective of the Copenhagen agreement in full by ensuring effective and efficient mitigation and adaptation action in developing countries. This requires an effective and efficient institutional framework for governance which has to be developed at the forefront of financing. The overall basis for efforts should be comprehensive national strategies.

4. RECALLING the March and June conclusions of the Council, the EU HIGHLIGHTS that the most important components of the governance framework for financing of mitigation should be:

    - Submission of ambitious and robust country-owned Low Carbon Growth Plans (LCGPs) by all countries except the least developed countries. LCGPs should describe their current mitigation and energy policy frameworks, including regulation and pricing. Developed countries should outline their plans for implementing economy-wide reduction targets and providing international support. Developing countries should describe their intended emission trajectories and reductions below business-as-usual, identify broad areas and types of possible action to this end, and set out expectations for domestic and international financing.
    - There should be an independent, international technical assessment of these country-owned plans. This would help to facilitate access to support for specific actions.
    - Support for specific nationally appropriate mitigation actions (NAMAs) at sectoral or programmatic level would come from multiple multilateral and

bilateral channels. Coherence and consistency of the support system would build on Measuring, Reporting and Verification (MRV) of mitigation actions and the two global functions of registry and matching support with mitigation action:

  - Unsupported actions could be measured and verified domestically on the basis of internationally agreed standards, and should be reported internationally. Supported and carbon-market related action should be **measured, reported and verified** internationally. The MRV of supported action would verify that financing as well as action is delivering in full towards commitments.
  - All mitigation action would enter an **international registry**. LCGPs and the registry of all NAMAs will ensure full transparency about the context in which individual NAMAs are supported.
  - A **matching function** that provides overview and guidance and assists information diffusion would be available for countries putting forward NAMAs for support as well as countries and institutions offering support. This would facilitate matching of competencies and needs and improve overall performance.

- Governance at the global level should rely on principles of effectiveness, efficiency and equity. Institutional anchoring of global functions must rely on a clear separation of political and operational levels with guidance being given at the political level, and decision making and implementation being done at a highly professional technical level. Both levels could be informed by advice from internationally recognised experts. Balanced representation at political level is needed.
- Gaps and imbalances in financing mitigation and adaptation actions that may arise should be monitored and regularly reviewed at high level by an appropriate body.

5. International track-keeping is required in order to ensure clear transparency of overall efforts. This encompasses domestic efforts, offset acquisition and public support in developed countries and unsupported efforts, supported efforts and offset-based emission reductions in developing countries.
6. Provisions should be made for an effective and orderly transition from project-based to sector-based carbon market mechanisms especially in the more advanced developing countries. This is indispensable to ensure a manageable administration of offset crediting in the context of increasing carbon market financial flows to developing economies. It would also increase environmental integrity and implies larger scope for discretion for developing countries as regards technologies and policies applied to deliver action for credits. The crediting thresholds and targets for sectoral systems should be set to reflect ambitious own efforts in line with countries' respective capabilities. International cooperation and a system for verifying and authorising the ambition of such thresholds and targets would be crucial.

7. The EU STRESSES that international public finance should also assist adaptation to climate change in the developing countries especially for the poorest and the most vulnerable countries with limited national capabilities. Adaptation concerns should be effectively integrated with development strategies and national planning via country led processes and coordination. Financial support for adaption would be based on these national strategies and plans. The international level should provide general

guidance as well as analysis and sharing of good practices. Development cooperation and delivery of ODA-based investments should be fully consistent with the building of climate-resilient economies and all key players in development cooperation should as appropriate integrate climate concerns in their actions. Synergies in the implementation of international climate finance and other assistance in developing countries should be fully exploited, and implementation of international climate finance should respect agreed standards on aid effectiveness. The experience of existing institutions in delivering support to developing countries should be fully used. Reporting on progress on adaptation should also be country led via improved National Communications.

Covering incremental cost and private financing

8. The EU UNDERLINES that available financial support should be scaled up over time in line with absorptive capacity, the overall scale of efforts and the development and implementation of the effective framework for governance. Developing countries' own efforts should increase with their level of development, also reflecting available mitigation potential. Mitigation support will be delivered against specific action anchored in an ambitious overall strategy of the recipient country.

9. The Commission estimate of mitigation financing requirements assumes implementation of the most cost efficient measures. The EU STRESSES that choosing measures other than the most cost efficient should not reduce the ambition of mitigation efforts and the extra costs entailed should be borne by the authorities making such choices. All developing countries are expected over the medium term to implement such own efforts mitigation action that deliver direct economic benefits and directly assist sustainable development, including by removing fossil fuel subsidies and other incentives to select overly emission intensive patterns of production and consumption. Support for capacity building to facilitate such policy changes may be necessary.

10. All countries will have to generate private financing by pursuing appropriate policies that drive inter alia incentives for investment. In this context, the EU RECOGNISES the importance of well functioning financial markets and an appropriate business environment in developing countries in enabling lending for low-carbon investments and ACKNOWLEDGES that lending from international institutions can also play a catalysing role.

11. Private financing will also be stimulated by developing a broad and liquid carbon market based on robust cap-and-trade systems in developed countries, a reformed CDM and sectoral crediting and trading mechanisms for action in developing countries.

12. The EU ACKNOWLEDGES that development of and delivery from a robust carbon market relies on the ambition of mitigation targets and respective emission reduction paths in developed countries.

International public finance over the medium term

13. Financing through the carbon market should be monitored and recognised separately and cannot be counted towards fulfilment of commitments to public financial support, except for procurement of offset credits that are not used for compliance with quantified emission targets.

14. A global distribution key would increase the overall amount of financing raised including by ensuring trust in the fair distribution of financing, and it would increase global ownership and take into account developments in the world economy. At the same time it would ensure more stable levels of support and a benchmark against which financing deliveries can be verified. Developing countries would be net beneficiaries with magnitudes depending inter alia on their capabilities and mitigation potential.

15. Countries should finance their contributions based on national priorities and in accordance with budgetary frameworks and national budgetary principles. Countries may want to consider the use of revenues from specific sources. Revenues from specific sources should be recognised as contributions under the global distribution key to the extent such contributions unambiguously can be referred back to a country of origin.

16. Robust MRV for mitigation and monitoring and review for adaptation and regular review should enhance compliance with international financing commitments.

17. Contributions from global sources could complement other public finance contributions and could be directed through global accounts. Financing flows through global accounts should be channelled through existing institutions to implement support, maximise synergies and limit administrative costs. Such financing could focus on closing gaps in international financing.

18. To maximise global mitigation efforts and a level playing field vis-à-vis other emission sources the EU STRESSES there is a strong need for appropriate global regulation of otherwise unregulated emissions from international aviation and maritime transport. The International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO) respectively are the appropriate forums to develop global frameworks, based on global sectoral targets set by UNFCCC, which should provide a flag-neutral, un-distortive coverage of each sector to avoid carbon-leakage, while building on market-based measures and observing national fiscal responsibilities. Moreover, to reflect different circumstances and respective capabilities, part of potential revenues could be directed to the benefit of climate change purposes in developing countries.

19. A comprehensive set of statistics for climate financing and support should be established, preferably by building on existing reporting mechanisms such as the OECD-DAC system for monitoring financial flows to developing countries, including ODA, based on proper engagement of developing countries. The statistics should be fully consistent and transparent and thus able to assist identifying any risk to poverty reduction efforts and efforts towards the Millennium Development Goals.

20. The EU STRESSES that in parallel with deliveries of climate financing all international parties should commit that such financing would not undermine or jeopardize the fight against poverty and continued progress towards the Millennium Development Goals.